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August 27, 2015

VIA ELECTRONIC FILING

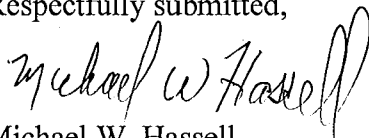
Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: Pennsylvania Public Utility Commission v. Columbia Gas of Pennsylvania, Inc.
Docket No. R-2015-2468056, etc.**

Dear Secretary Chiavetta:

Enclosed please find the Joint Petition for Partial Settlement in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,


Michael W. Hassell

MWH/skr
Enclosure

cc: Certificate of Service
Honorable Mary D. Long

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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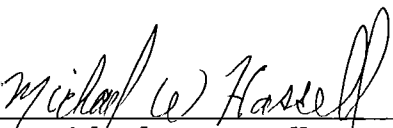
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Date: August 27, 2015



Michael W. Hassell

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos. R-2015-2468056
Office of Consumer Advocate	:	C-2015-2473682
Office of Small Business Advocate	:	C-2015-2477816
Pennsylvania State University	:	C-2015-2476623
Columbia Industrial Intervenors	:	C-2015-2477120
G. Thomas Smeltzer	:	C-2015-2482395
	:	
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc.	:	
	:	

JOINT PETITION FOR PARTIAL SETTLEMENT

TO ADMINISTRATIVE LAW JUDGE MARY D. LONG:

I. INTRODUCTION

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Columbia Industrial Intervenors (“CII”),¹ Dominion Retail, Inc. (“Dominion”), Shipley Energy Company (“Shipley”), Interstate Gas Supply, Inc. (“IGS”),² Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), Retail Energy Supply Association (“RESA”) and Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”), parties to the above-captioned proceedings (hereinafter collectively referred to as the “Joint Petitioners”), hereby join in this Joint Petition for Partial Settlement (“Settlement”) and hereby respectfully request that Administrative Law Judge Mary D. Long (“ALJ Long”

¹ CII’s members are Glen-Gery Corporation and Knouse Foods Cooperative, Inc.

² For purposes of this Settlement, Dominion, Shipley and IGS are referred to collectively as the NGS Parties.

or the “ALJ”) and the Commission expeditiously approve the Settlement as set forth below. The Pennsylvania State University (“PSU”), a party to the above-captioned proceeding, has indicated that it does not object to the Settlement as set forth below provided that its Settlement with Columbia submitted simultaneously herewith is approved without modification. The Settlement has been agreed to or not opposed by all active parties in this proceeding.³

As fully set forth and explained below, the Joint Petitioners have agreed to a settlement of all but one issue in the above-captioned general base rate proceeding (the “2015 Base Rate Filing”). Among other provisions, the Settlement provides for increases in rates designed to produce \$28.0 million in additional base rate revenue based upon a residential throughput level of 34,500,000 Dth and throughput levels for all other classes as proposed by the Company for the twelve months ended December 31, 2016. The new rates will go into effect on December 18, 2015. In support of the Settlement, the Joint Petitioners state the following:

II. BACKGROUND

1. Columbia is a “public utility” and “natural gas distribution company” (“NGDC”) as those terms are defined in Sections 102 and 2202 of the Public Utility Code, 66 Pa.C.S. §§ 102, 2202. Columbia provides natural gas distribution, sales, transportation, and/or supplier of last resort services to approximately 419,000 retail customers in portions of 26 counties of Pennsylvania.

2. On March 19, 2015, Columbia filed with the Commission Supplement No. 226 to its Tariff Gas – Pa. P.U.C. No. 9 (“Supplement No. 226” or “base rate filing”).

³ One individual Columbia customer filed a Formal Complaint against the Company’s proposed rate increase. However, the customer did not attend the Prehearing Conference, did not file testimony, and did not otherwise actively participate in this matter. As indicated on the Certificate of Service, Columbia is serving a copy of the Settlement on the inactive customer complainant.

Supplement No. 226, issued March 19, 2015 and to be effective May 18, 2015, proposed an increase in revenues of approximately \$46.2 million which represents an 8.63% increase in operating revenues based upon a pro forma fully projected future test year (“FPFTY”) ending December 31, 2016. The filing was made in compliance with the Commission’s regulations, and contained all supporting data and testimony required to be submitted in conjunction with a tariff change seeking a general rate increase.

3. On April 9, 2015, the Commission issued an Order initiating an investigation of Columbia’s proposed general rate increase and suspending Columbia’s Supplement No. 226 until December 18, 2015, unless otherwise directed by Order of the Commission.

4. Formal Complaints were filed on behalf of the OCA (C-2015-2473682), the OSBA (C-2015-2477816), PSU (C-2015-2476623), CII (C-2015-2477120) and G. Thomas Smeltzer (C-2015-2482395).

5. In addition, on March 27, 2015, the NGS Parties filed a Petition to Intervene. CAUSE-PA filed a Petition to Intervene on April 8, 2015. On April 15, 2015, RESA filed a Petition to Intervene.

6. A Prehearing Conference was scheduled for April 16, 2015. Joint Petitioners who participated in the prehearing conference filed prehearing memoranda identifying potential issues and witnesses.

7. The initial Prehearing Conference was held as scheduled on April 16, 2015. At the prehearing conference, ALJ Long established the litigation schedule. The ALJ also set forth discovery rules, which, pursuant to the Joint Petitioners’ agreement, included shorter response times than those provided in the Commission’s regulations. See 52 Pa. Code §§ 5.341 *et seq.*

8. On April 21, 2015, the ALJ issued a Prehearing Order that confirmed the litigation schedule established at the Prehearing Conference.

9. A corrected hearing notice was issued on June 5, 2015.

10. The Joint Petitioners conducted substantial formal and informal discovery in this proceeding. Pursuant to the established litigation schedule, I&E, OCA, OSBA, CAUSE-PA, CII, PSU and the NGS Parties distributed direct testimony and exhibits on June 19, 2015.

11. Also on June 19, 2015, PSU filed public and proprietary versions of a Motion for Sanctions to compel Columbia to provide responses to certain discovery requests and to permit PSU to file supplemental direct testimony on the subject of the discovery requests.

12. On July 1, 2015, I&E filed errata to its direct testimony.

13. On July 1, 2015, the OCA served the revised direct testimony of Lafayette L. Morgan, Jr.

14. On July 2, 2015, Columbia filed Supplement No. 233 to Tariff Gas Pa. PUC No. 9, suspending Columbia's Supplement No. 226 until December 18, 2015.

15. Also on July 2, 2015, Columbia filed a Motion to Dismiss Objections and Compel Responses to I&E-I-8, or in the alternative, to strike the related testimony.

16. On July 2, 2015, the ALJ issued an Interim Order on Discovery Motion, permitting PSU to file Supplemental Direct Testimony by July 8, 2015 and permitting Columbia to submit Supplemental Rebuttal Testimony limited to the issues presented in PSU's Supplemental Direct Testimony by July 20, 2015.

17. Columbia filed formal objections to certain PSU Set II discovery requests on July 7, 2015.

18. Also on July 7, 2015, I&E filed a reply to Columbia's Motion to Compel.
19. On July 8, 2015, PSU provided supplemental direct testimony.
20. On July 9, 2015, Columbia filed a Confidential Motion to Compel access to material provided in response to discovery propounded on PSU—Set I.
21. I&E provided revised direct testimony on July 10, 2015 for the purpose of removing references to the Gas Safety Division's form letter FL-1-15.
22. Also on July 10, 2015, PSU filed public and proprietary versions of a Motion to Dismiss Objections and Compel Responses to Set II Discovery.
23. On July 13, 2015, PSU filed proprietary and non-proprietary versions of an Answer in Opposition to Columbia's Motion to Compel access to material provided in response to discovery propounded on PSU—Set I.
24. On July 15, 2015, the NGS Parties provided revised direct testimony for the purpose of clarifying a statement made regarding the monthly metering of general transportation customers' consumption.
25. On July 16, 2015, rebuttal testimony and exhibits were distributed by I&E, OCA, OSBA, PSU and Columbia.
26. Columbia filed an Answer to PSU's Motion to Dismiss Objections regarding PSU Set II discovery on July 16, 2015.
27. The ALJ issued a Second Prehearing Order on July 16, 2015 directing any party who wished to exclude evidence from the public record to file a motion for a protective order by noon on July 28, 2015.
28. On July 20, 2015, the ALJ issued an Interim Order denying PSU's Motion to Compel.

29. On July 21, 2015, Columbia provided a revised page 10 to Columbia St. No. 106-R, to correct a typographical error.

30. On July 24, 2015, Columbia distributed supplemental rebuttal testimony.

31. On July 28, 2015, I&E, OCA, OSBA, PSU, CAUSE-PA, the NGS Parties and Columbia distributed surrebuttal testimony.

32. Also on July 28, 2015, Columbia filed a Motion for a Protective Order.

33. PSU filed an Answer to Columbia's Motion for a Protective Order on July 29, 2015.

34. Columbia filed rejoinder testimony on July 31, 2015.

35. Also on July 31, 2015, PSU filed a Motion for Leave to Amend its Complaint.

36. The ALJ issued a Protective Order in this proceeding on August 3, 2015.

37. On August 4, 2015, an evidentiary hearing was held for the purpose of submitting testimony and exhibits for the record by stipulation. The parties waived cross-examination of all witnesses. Columbia's filing, testimony and exhibits and the testimony and exhibits served by the other parties during the course of the proceeding, with the exception of the testimony and exhibits of Columbia witnesses Mark Kempic, Nicole Paloney, Nancy Krajovic, Michael Davidson and Michael Anderson and PSU witnesses James Crist and Michael Prinkey, were formally introduced and admitted into the evidentiary record at the August 4, 2015 evidentiary hearing. Cross examination of these witnesses was scheduled for August 10, 2105, and was to be limited to issues raised in PSU's amended complaint and the issue of the abandonment of a Columbia transmission line referred to as the "Snowshoe Lateral."

38. Columbia filed an Answer to PSU's Amended Complaint on August 7, 2015.

39. Also on August 7, 2015, I&E filed a Motion in Limine to limit the issues for briefing regarding the Hardship Fund.

40. On August 7, 2015, Columbia and PSU informed the ALJ that they had reached an agreement to separate from this proceeding the issues raised in Penn State's Amended Complaint and the issue of abandonment of the Snowshoe Lateral in part and abandonment of service to certain customers. PSU and Columbia agreed to exclude from this proceeding at R-2015-2468056 all testimony and exhibits concerning the Snowshoe Lateral. Columbia will file an abandonment proceeding, and Columbia and PSU have agreed to jointly request consolidation of the application for abandonment with the separated proceeding. Columbia and PSU's agreement is set forth in the Joint Petition for Settlement and Separation of Complaint filed on August 27, 2015, at Docket No. C-2015-2476623.

41. The second day of hearings was held on August 10, 2015 for the purpose of admitting by stipulation the testimony and exhibits of Columbia witnesses Kempic, Paloney, Krajovic and Davidson and PSU witness Crist into the record, with all references to the Snowshoe Lateral issues removed. Oral argument was also held on I&E's Motion in Limine, which the ALJ denied.

42. The Joint Petitioners held numerous settlement discussions over the course of this proceeding. As a result of those discussions and the efforts of the Joint Petitioners to examine the issues in the proceeding, the Joint Petitioners have been able to agree to a Settlement covering all but one issue in the proceeding.

43. Joint Petitioners have agreed to a base rate increase, to an allocation of that revenue increase to the rate classes and to rate design for all rate classes to recover the portion of the rate increase allocated to such classes. Other issues presented in the proceeding, except for the Hardship Fund / USP Rider issue, have been resolved by the Settlement. The Joint Petitioners are in full agreement that the Settlement is in the best interests of Columbia and its customers.

44. In the Settlement, the Joint Petitioners have proposed that rates be designed to produce an additional \$28.0 million in annual base rate operating revenues instead of the Company's filed increase request of approximately \$46.2 million. Upon approval of the Settlement, Columbia will receive an increase in existing base rate operating revenues of approximately 5.18%, instead of the 8.63% increase proposed in Columbia's filing. A typical residential sales customer using 73 therms of gas per month will see an increase in their monthly bill from \$94.28 to \$98.42, or by 4.4%, instead of the monthly increase to \$ 101.94, or 8.1%, that was originally proposed in the filing.

45. The Settlement terms are set forth in the following Section III.

III. SETTLEMENT

46. The following terms of this Settlement reflect a carefully balanced compromise of the interests of all the Joint Petitioners in this proceeding. The Joint Petitioners unanimously agree that the Settlement, which resolves all but the one issue regarding the Hardship Fund / USP Rider, is in the public interest. The Joint Petitioners respectfully request that the 2015 Base Rate Filing, including those tariff changes included in Supplement No. 226 and specifically identified in Appendix "C" attached hereto, be approved subject to the terms and conditions of this Settlement specified below:

A. REVENUE REQUIREMENT

47. Rates will be designed to produce an increase in operating revenues of \$28.0 million based upon residential throughput level of 34,500,000 Dth and throughput levels for all other classes as proposed by the Company for the twelve months ended December 31, 2016.

48. As of the effective date of rates in this proceeding, Columbia will be eligible to include plant additions in the DSIC once eligible account balances exceed the levels projected by Columbia at December 31, 2016. The foregoing provision is included solely for purposes of calculating the DSIC, and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a FPFTY filing.

49. For purposes of calculating its DSIC, Columbia shall use the equity return rate for gas utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1).

50. Columbia will continue to use normalization accounting with respect to the benefits of the tax repairs deduction. In addition, with regard to the \$37.4 million tax refund previously received by Columbia that is attributable to the change in method for the repairs deduction, commencing with the effective date of rates in this proceeding, the remaining amount of \$681,571 shall be amortized over 12 months commencing January 1, 2016. The amortization shall continue to be without interest and without a deduction of the unamortized balance from rate base. Changes in the

refund amount, above or below the \$37.4 million, shall be reflected in accumulated deferred income taxes to be created under the normalization method of accounting.

51. Columbia also will be permitted to continue to use normalization accounting with respect to the tax treatment of Section 263A mixed service costs.

52. Columbia will amortize the following expenditures:

- (i) NIFIT – Amortization of non-Company labor start-up costs of the new financial software of \$1,260,764, over a three-year period commencing with the effective date of rates in this proceeding.
- (ii) Blackhawk Storage – Continuation of the previously-approved 24.5 year amortization of the total amount of \$398,865 to be included on books and in rate base as a regulatory asset to reflect the total original cost that began on October 28, 2008.
- (iii) Tax Credit – Amortization of the unamortized portion of the \$37,487,634 total tax credit of \$681,571 over 12 months commencing January 1, 2016.
- (iv) Corporate Services OPEB-Related Costs – Continuation of the previously-approved amortization of the regulatory asset of \$903,131 associated with the transition of NiSource Corporate Services Company from a cash to accrual basis for OPEBs, over a ten-year period that began July 1, 2013.
- (v) Columbia OPEB Deferral Passback – Rates reflect a 12 month amortization of the estimated deferred OPEB balance of \$(114,640) commencing January 1, 2016.

53. As established in the settlement of Columbia's base rate proceeding at R-2012-2321748, Columbia will be permitted to continue to defer the difference between the annual OPEB expense calculated pursuant to FASB Accounting Standards Codification ("ASC") 715, "Compensation – Retirement Benefits (SFAS No. 106) and the annual OPEB expense allowance in rates of \$0. Only those amounts attributable to operation and maintenance would be deferred and recognized as a regulatory asset or liability. To the extent the cumulative balance recorded reflects a regulatory asset, such amount will be collected from customers in the next rate proceeding over a period to be determined in that rate proceeding. To the extent the cumulative balance recorded reflects a regulatory liability, there will be no amortization of the (non-cash) negative expense, and the cumulative balance will continue to be maintained.

54. Commencing with the effective date of rates, Columbia will deposit amounts in the OPEB trusts when the cumulative gross annual accruals calculated by its actuary pursuant to ASC 715 are greater than \$0. If annual amounts deposited into OPEB trusts, pursuant to this Settlement, exceed allowable income tax deduction limits, any income taxes paid will be recorded as negative deferred income taxes, to be added to rate base in future proceedings.

55. On or before April 1, 2016, Columbia will provide the Commission's Bureau of Technical Utility Services ("TUS"), I&E, OCA and OSBA an update to Columbia Exhibit No. 108, Schedule 1, which will include actual capital expenditures, plant additions, and retirements by month for the twelve months ending December 31, 2015. On or before April 1, 2017, Columbia will update Exhibit No. 108, Schedule 1 filed in this proceeding for the twelve months ending December 31, 2016. In Columbia's next base rate proceeding, the Company will prepare a comparison of its actual revenue,

expenses and rate base additions for the twelve months ended December 31, 2016. However, it is recognized by the Joint Petitioners that this is a black box settlement that is a compromise of Joint Petitioners' positions on various issues.

56. For all future debt issuances during the twelve month periods ending December 31, 2015 and December 31, 2016, Columbia will provide to TUS, I&E, OCA and OSBA, within 60 days of issuance, all loan documentation filed with the Commission in compliance with orders in filings submitted by Columbia pursuant to Chapter 19 of the Pennsylvania Public Utility Code. In addition, Columbia will preserve and provide to I&E, OCA and OSBA as a part of its next base rate case the following: (1) all documentation supporting debt issued between this base rate case and the next base rate case; and (2) the Treasury yield as reported in the Federal Reserve Statistical Release, H.15 Selected Interest Rates and the yield spread as reported by Reuters Corporate spreads as of the dates of each issuance.

57. Tariff rates will go into effect on December 18, 2015.

B. REVENUE ALLOCATION AND RATE DESIGN

58. The Residential customer charge will remain at the current \$16.75/month.

59. Small General Service customer charges will remain at the current \$21.25/month (≤ 6440 therms) and \$48.00/month (> 6440 therms).

60. Revenue allocation to the classes is set forth in Appendix "A." Rate design for all classes shall be as set forth in Appendix "B." Revenue allocation and rate design reflect a compromise and do not endorse any particular cost of service study.

61. Columbia will agree to withdraw its Choice Administrative Charge ("CAC") proposal in this proceeding.

62. Columbia's Gas Procurement Charge ("GPC") rate shall continue at the current rate of \$0.00695/therm.

63. Columbia will not propose a CAC for a period of two base rate cases, or five years, whichever occurs first. Parties further agree not to propose a change to Columbia's GPC rate for a period of two base rate cases, or five years, whichever occurs first. Provided, however, that if any non-party to this settlement, during this stayout period, proposes changes to the GPC, all parties to this agreement reserve the right to propose either a CAC or other changes to the GPC in rebuttal testimony.

C. UNIVERSAL SERVICE AND CONSERVATION

64. Columbia's proposals to: (a) increase the Emergency Repair Program ("ERP") annual budget to \$600,000; (b) raise the eligibility guidelines for ERP to 200% of the Federal Poverty Level ("FPL"); and (c) recover ERP program costs through Rider Universal Service Program ("Rider USP"), are approved. The portion of ERP funds available for individuals between 151% and 200% of the FPL will be limited to 10% of the total ERP budget.

65. Columbia's proposal to recover third party costs to administer its Customer Assistance Program ("CAP") through its Rider USP is approved.

66. Columbia will establish a Universal Service Advisory Committee, and will invite participants of interested parties, community partners, and representatives of other public utilities in the region. Columbia agrees to hold two Universal Service Advisory Committee meetings per year.

67. Columbia will track all cancelled or denied referrals by reason for the ERP and the Low Income Usage Reduction Program ("LIURP"). Columbia will report the data to the Universal Service Advisory Committee.

68. Columbia will continue its efforts to coordinate between low income and energy conservation programs, while recognizing participant qualification differences among the programs and the intent of the programs to address different needs among customers served under Customer Assistance Referral and Evaluation Services, Customer Assistance Program, Low Income Usage Reduction Program and ERP. In addition, Columbia will reach out to the Pennsylvania Department of Community and Economic Development (DCED) and to other public utilities within its service territory to explore ways to further enhance Columbia's coordination of energy efficiency programming. Columbia will inform the Universal Service Advisory Committee of the results of these efforts, and will provide an opportunity for Committee members to offer feedback and recommendations for improvement.

69. Columbia will continue its extensive low income customer outreach efforts, and will continue to consult with other entities that assist low income customers to identify additional, cost-effective outreach efforts. Columbia will explore ways to engage in joint advertising efforts with other public utilities within Columbia's service territory to promote the availability of universal service program assistance. Columbia will inform the Universal Service Advisory Committee of the results of these efforts, and will provide an opportunity for Committee members to offer feedback and recommendations for improvement.

D. PROGRAMS TO EXPAND THE AVAILABILITY OF GAS SERVICE

70. The following programs to expand availability of natural gas service in Columbia's service territory are approved: (a) footage allowance of 150 feet of main per residential applicant in normal situations; (b) allowance of 150 feet of Company-owned

service line in normal situations; and (c) up to \$1,000.00 reimbursement per residential conversion customer toward the cost of house piping for projects that generate a net positive present value greater than \$1,000.00 per customer. Columbia agrees to provide the following information related to Columbia's service expansion proposals:

- a. Main and service investment per project;
- b. Net Present Value ("NPV") model results for each project, inclusive of the main and service allowances;
- c. Required New Area Service ("NAS") deposit by project;
- d. House piping reimbursement by project;
- e. Number of customers connected by each project and number of subsequent connections;
- f. Annual non-gas revenues received by project, separated into base rate and NAS revenues (principle and interest stated separately);
- g. Annual usage by project;
- h. Average investment cost per customer by project; and
- i. Number of new service requests for projects in which the NPV model is run, but the project does not proceed to construction.

E. NATURAL GAS SUPPLIER ISSUES

71. The current penalty for failure to deliver in accordance with the Choice Daily Delivery requirement on non-Operational Flow Order ("OFO") days is reduced from \$23.30 per Dth, to \$20.80 per Dth.

72. The current penalty for failure to deliver in accordance with the Choice Daily Delivery requirement on OFO days is reduced from \$46.60 per Dth to \$41.60 per Dth.

73. In addition, in 2016, Columbia will develop and implement a notice in its Aviator system to notify an NGS if its scheduled nomination for its CHOICE deliveries

does not comply with its daily delivery requirement. While the NGS will be able to proceed with its scheduled nomination, the NGS will need to affirmatively elect to proceed before submitting the nomination.

74. The current Elective Balancing Service (“EBS”) under-deliveries and over-deliveries tariff language is modified to the following:

a) Consumption in Excess of Deliveries (under-deliveries):

The price for such imbalance gas shall be sold by the Company at the higher of:

- i. a price equal to 120% of the average of the Daily Index prices for each day of the applicable month as reported in the PLATTS GAS DAILY publication, in the **Daily price survey** section under the heading “**Appalachia**” for “Columbia Gas, App.” **Midpoint**, plus the 100% load factor TCO FTS costs (including demand, commodity and retainage), or
- ii. the highest commodity cost of purchases by the Company during the calendar month, including the delivered cost of purchases at the city gate, if any excluding any purchases under fixed price commodity contracts for which the price was determined more than thirty days before the beginning of the calendar month.

In addition, applicable taxes and Company transportation shall apply. Furthermore, if, in any month, Company incurs other charges, including gas costs, penalty charges or cash-outs caused by excess monthly under deliveries, the Customer or NGS shall be charged its pro rata share of such charges.

b) Deliveries in Excess of Consumption (over-deliveries):

The price for such imbalance gas shall be purchased by the Company at the lower of:

- i. a price shall be equal to 80% of the average of the Daily Index prices for each day of the applicable month as reported in the PLATTS GAS DAILY publication, in the **Daily price survey** section under the heading “**Appalachia**” for “Columbia Gas, App.” **Midpoint**, or
- ii. the lowest commodity cost of purchases by the Company during the calendar month, including the delivered cost of purchases at the City Gate, if any excluding any purchases under fixed price commodity contracts for which the price was determined more than thirty (30) days before the beginning of the calendar month.

In addition, if, in any month, Company incurs other charges, including gas costs, penalty charges or cash-outs caused by excess monthly over deliveries, the Customer or NGS shall be charged its pro rata share of such charges.

75. The current OFO/Operational Matching Order (“OMO”) penalty is reduced from \$23.30 per Dth, to \$20.80 per Dth.

76. Columbia will allow Priority 1 and non-Priority 1 customers to be in the same nomination group within the same market area.

77. Columbia shall continue its current practice that allows General Distribution Service (“GDS”) Customers and/or GDS NGS’ to transfer gas across contiguous, non-constrained market areas.

78. Columbia will change the deadline for bank balance transfers from the first business day following the last day of the calendar month in which the trade is to apply, to the third business day following the last day of the calendar month in which the trade is to apply.

79. Columbia will update the Customer Information List before the start of the effective month.

80. Columbia will review its training and processes for managing instances in which it becomes aware of discrepancies between a name on a customer account and a different customer name provided to the Company, with the intent to minimize any potential delay in switching a customer to an NGS, recognizing the Company’s authority to require security deposits in appropriate circumstances. The Company shall discuss the results of its review with the NGS Parties.

F. OTHER

81. Columbia will continue its efforts to reduce restoration costs, through efforts including, but not limited to, coordinating pipe replacement projects with other

street projects, and replacing pipe using trenchless construction techniques where technically and economically feasible.

82. Columbia agrees to meet with the Commission's Gas Safety Division, and any other interested parties, within 30 days of the final order in this proceeding, to discuss strategies that seek to reduce construction and restoration costs associated with all pipeline replacement projects.

83. In addition to the meeting proposed in Paragraph 81, supra, prior to October 31, 2015, Columbia will meet with the Commission's Gas Safety Division and other parties to identify increasing state, county and municipal requirements that exceed the Pennsylvania Department of Transportation restoration standards and add to the cost of pipeline replacements in an effort to develop coordinated potential responses to such requirements. In furtherance of such meetings, Columbia will discuss the results of the audits of the restoration costs for its 10 largest projects that were provided in Exhibit MJD – 1R in the prior year, identifying costs incurred in excess of the Pennsylvania Department of Transportation restoration standards for paving, sidewalk repair and permitting fees.

84. Columbia will continue its efforts to reduce its number of Type 2 leaks, pursuant to its current target of repairing Type 2 leaks within 12 months, and not to exceed 15 months, and will also continue its efforts to reduce the backlog of Type 3 leaks.

G. RESERVED ISSUES FOR LITIGATION

85. Joint Petitioners have reserved for litigation the issue of whether Columbia should end immediately its recovery of \$375,000 through its Rider USP that is used as part of the funding of its Hardship Fund.

IV. SETTLEMENT IS IN THE PUBLIC INTEREST

86. This Settlement was achieved by the Joint Petitioners after an extensive investigation of Columbia's filing, including informal and formal discovery and the submission of direct, rebuttal, surrebuttal and rejoinder testimony by a number of the Joint Petitioners that were admitted into the record by stipulation.

87. Acceptance of the Settlement will avoid the necessity of further administrative and possibly appellate proceedings regarding the settled issues at what would have been a substantial cost to the Joint Petitioners and Columbia's customers.

88. Joint Petitioners have submitted, along with this Settlement, their respective Statements in Support setting forth the basis upon which each believes the Settlement to be fair, just and reasonable and therefore in the public interest. The Joint Petitioners' Statements in Support are attached hereto as Appendices "D" through "K".

V. CONDITIONS OF PARTIAL SETTLEMENT

89. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. If the Commission modifies the Settlement, then any Joint Petitioner may elect to withdraw from this Settlement and may proceed with litigation and, in such event, this Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Joint Petitioners within five (5) business days after the entry of any Order modifying the Settlement.

90. The Joint Petitioners acknowledge and agree that this Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated these proceedings resulting in the establishment of rates that are Commission-made, just and reasonable rates.

91. This Settlement and its terms and conditions may not be cited as precedent in any future proceeding, except to the extent required to implement this Settlement.

92. The Commission's approval of the Settlement shall not be construed to represent approval of any Joint Petitioner's position on any issue, except to the extent required to effectuate the terms and agreements of the Settlement in these and future proceedings involving Columbia.

93. It is understood and agreed among the Joint Petitioners that the Settlement is the result of compromise, and does not necessarily represent the position(s) that would be advanced by any Joint Petitioner in these proceedings if they were fully litigated.

94. This Settlement is being presented only in the context of these proceedings in an effort to resolve the proceedings in a manner which is fair and reasonable. The Settlement is the product of compromise between and among the Joint Petitioners. This Settlement is presented without prejudice to any position that any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance in the future on the merits of the issues in future proceedings except to the extent necessary to effectuate the terms and conditions of this Settlement. This Settlement does not preclude the Joint Petitioners from taking other positions in proceedings involving other public utilities under Section 1308 of the Public Utility Code, 66 Pa.C.S. § 1308, or any other proceeding.

95. The Joint Petitioners recognize that the proposed Settlement does not bind Formal Complainants that do not choose to join herein. A copy of the proposed

Settlement and attached Appendices hereto, including Statements in Support, are simultaneously being served upon all Formal Complainants in this proceeding.

96. If the ALJ adopts the Settlement without modification, the Joint Petitioners waive their individual rights to file exceptions with regard to the Settlement. Joint Petitioners retain their rights to file briefs, exceptions and replies to exceptions with respect to the issue reserved for litigation.

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

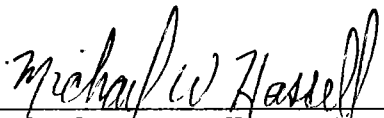
1. That the Honorable Administrative Law Judge Mary D. Long and the Commission approve this Settlement including all terms and conditions thereof, without modification;

2. That the Commission's investigation at Commission Docket R-2015-2468056 and the complaints of OCA, OSBA, CII and PSU at Docket Nos. C-2015-2473682, C-2015-2477816, C-2015-2477120 and C-2015-2476623, respectively, shall be marked closed with respect to the settled issues, and that the service issues (as opposed to base rate increase issues) raised in the Amended Complaint of PSU including the issue of abandonment of the Snowshoe Lateral in part and abandonment of service to certain customers be separated from this proceeding and continued in a separated complaint docket and consolidated with a future application for a certificate of convenience to be filed by Columbia, as explained in detail and pursuant to the terms of the Joint Petition for Settlement and Separation of Complaint filed by PSU and Columbia at Docket No. C-2015-2476623 on August 27, 2015.

3. That the customer complaint of G. Thomas Smeltzer at Docket No. C-2015-2482395 associated with this proceeding be dismissed.

4. That the Commission enter an Order ruling on the reserved issue and authorizing Columbia Gas of Pennsylvania, Inc. to file a tariff or tariff supplement in compliance with the Commission's Order, effective for service rendered on and after the date of the Commission's Order.

Respectfully submitted,



Michael W. Hassell, Esquire
Lindsay A. Berkstresser, Esquire
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601

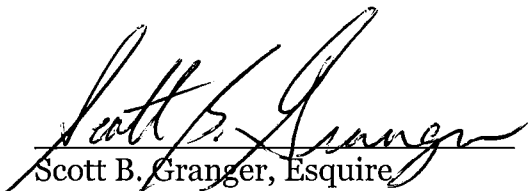
Date: 8/27/2015

And

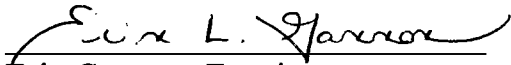
Theodore J. Gallagher, Esquire
Columbia Gas of Pennsylvania, Inc.
121 Champion Way, Suite 100
Canonsburg, PA 15317

And

Andrew S. Tubbs, Esquire
NiSource Corporate Services Company
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For: Columbia Gas of Pennsylvania, Inc.



Scott B. Granger, Esquire
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street, 2nd Floor West
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Harrisburg, PA 17105-3265
For: Bureau of Investigation and Enforcement



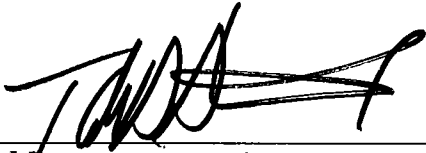
Erin Gannon, Esquire
Amy E. Hirakis, Esquire
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
For: Office of Consumer Advocate



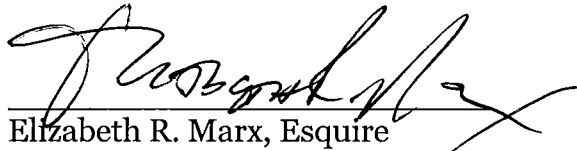
Daniel G. Asmus, Esquire
Office of Small Business Advocate
300 North Second Street, Suite 202
Harrisburg, PA 17101
For: Office of Small Business Advocate



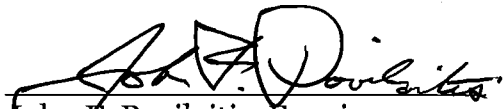
Charis Mincavage, Esquire
Elizabeth P. Trinkle, Esquire
McNees Wallace & Nurick LLC
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For: NGS Parties



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Pennsylvania Utility Law Project
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Harrisburg, PA 17101
*For: Coalition for Affordable Utility
Services and Energy Efficiency in
Pennsylvania*



John F. Povilaitis, Esquire
Karen O. Moury, Esquire
Buchanan Ingersoll & Rooney, P.C.
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Harrisburg, PA 17101
For: Retail Energy Supply Association

Appendix A

Columbia Gas of Pennsylvania, Inc.

Increase by Rate Class

For the 12 Months Ending December 31, 2016

	<u>Amount</u>	<u>RS/RDS</u>	<u>SGSS/SCD/SGDS</u>	<u>SDS/LGSS</u>	<u>LDS/LGSS</u>	<u>MDS/NSS</u>
Settlement Increase	\$28,000,000	\$20,376,887	\$4,516,619	\$1,928,619	\$1,177,705	\$170

Appendix B

Columbia Gas of Pennsylvania, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2016

Witness: M. P. Balmert

Line No.	Description	Adjusted Bills (1)	Adjusted Volumes (2) DTH	Revenue @ Current Rates (3) \$	Proposed Revenue Increase (4) \$	Total Proposed Revenue (5 = 3 + 4) \$	Proposed Increase by Rate Schedule (6) %	Proposed Increase by Rate Class (7) %
		(Exh. 103, Sch. 2)	(Exh. 103, Sch. 3)	(Exh. 103, Sch. 1)		(Exh. 103, Sch. 7)		
1	Total Revenues							
2	Residential Sales - RS, RDGSS	3,377,134	23,672,606.8	\$307,991,384	\$15,062,880	\$323,054,264	4.89%	5.20%
3	Small General Service (≤ 64,400 Therms Annually) - SGSS	317,107	9,128,567.8	\$86,434,344	\$2,490,329	\$88,924,673	2.88%	4.09%
4	Large General Sales Service (≤ 540,000 Therms Annually) - LGSS	902	864,065.3	\$6,864,558	(\$43,484)	\$6,821,074	-0.63%	10.25%
5	Large General Sales Service (> 540,000 Therms Annually) - LGSS	24	150,675.2	\$1,139,097	(\$92,596)	\$1,046,501	-8.13%	7.08%
6	Negotiated Sales Service - NSS	12	65,000.0	\$292,008	\$7	\$292,015	0.00%	0.01%
7	Residential Distribution Service (Choice) - RDS, RDGDS, RCC	1,327,180	10,827,393.2	\$83,008,582	\$5,263,370	\$88,271,952	6.34%	5.20%
8	Small Commercial Distribution Service (Choice) - SCD	99,579	2,149,044.4	\$10,604,902	\$716,735	\$11,321,637	6.76%	4.09%
9	Small General Distribution Service (≤ 64,400 Therms Annually) - SGDS	27,184	3,884,925.8	\$13,034,025	\$1,298,146	\$14,332,171	9.96%	4.09%
10	Small Distribution Service - SDS	4,723	6,001,884.6	\$11,904,460	\$1,967,161	\$13,871,621	16.52%	10.25%
11	Large Distribution Service - LDS	1,180	19,274,182.6	\$15,453,189	\$1,267,333	\$16,720,522	8.20%	7.08%
12	Main Line Distribution Service Class I - MLDS	48	2,856,000.0	\$396,279	\$14	\$396,293	0.00%	0.01%
13	Main Line Distribution Service Class II - MLDS	72	2,662,000.0	\$1,048,602	\$130	\$1,048,732	0.01%	0.01%
14	Other Gas Department Revenue			\$1,902,988	\$69,243	\$1,972,231	3.64%	3.64%
15	Total Revenues	<u>5,155,145</u>	<u>81,536,345.7</u>	<u>\$540,074,418</u>	<u>\$ 27,999,268</u>	<u>\$ 568,073,686</u>	5.18%	5.18%
16	Base Rates Revenue Only							
17	Residential Sales - RS, RDGSS	3,377,134	23,672,606.8	\$156,318,626	\$13,417,633	\$169,736,259	8.58%	8.08%
18	Small General Service (< 64,400 Therms Annually) - SGSS	317,107	9,128,567.8	\$36,418,008	\$2,489,416	\$38,907,424	6.84%	7.80%
19	Large General Sales Service (≤ 540,000 Therms Annually) - LGSS	902	864,065.3	\$2,147,971	(\$43,484)	\$2,104,487	-2.02%	13.69%
20	Large General Sales Service (> 540,000 Therms Annually) - LGSS	24	150,675.2	\$316,621	(\$92,596)	\$224,025	-29.25%	7.45%
21	Negotiated Sales Service - NSS	12	65,000.0	\$19,872	\$7	\$19,879	0.04%	0.01%
22	Residential Distribution Service (Choice) - RDS, RDGDS, RCC	1,327,180	10,827,393.2	\$67,854,735	\$4,688,478	\$72,543,213	6.91%	8.08%
23	Small Commercial Distribution Service (Choice) - SCD	99,579	2,149,044.4	\$9,041,472	\$716,520	\$9,757,992	7.92%	7.80%
24	Small General Distribution Service (≤ 64,400 Therms Annually) - SGDS	27,184	3,884,925.8	\$12,245,727	\$1,297,759	\$13,543,486	10.60%	7.80%
25	Small Distribution Service - SDS	4,723	6,001,884.6	\$11,904,460	\$1,967,161	\$13,871,621	16.52%	13.69%
26	Large Distribution Service - LDS	1,180	19,274,182.6	\$15,453,189	\$1,267,333	\$16,720,522	8.20%	7.45%
27	Main Line Distribution Service Class I - MLDS	48	2,856,000.0	\$396,279	\$14	\$396,293	0.00%	0.01%
28	Main Line Distribution Service Class II - MLDS	72	2,662,000.0	\$1,048,602	\$130	\$1,048,732	0.01%	0.01%
29	Total Base Rates Revenues	<u>5,155,145</u>	<u>81,536,345.7</u>	<u>\$313,165,562</u>	<u>\$25,708,371</u>	<u>\$338,873,933</u>	8.21%	8.21%
30	STAS							
31	Residential Sales - RS, RDGSS			\$0	\$0	\$0	0.00%	0.00%
32	Small General Service (< 64,400 Therms Annually) - SGSS			\$0	\$0	\$0	0.00%	0.00%
33	Large General Sales Service (≤ 540,000 Therms Annually) - LGSS			\$0	\$0	\$0	0.00%	0.00%
34	Large General Sales Service (> 540,000 Therms Annually) - LGSS			\$0	\$0	\$0	0.00%	0.00%
35	Negotiated Sales Service - NSS			\$0	\$0	\$0	0.00%	0.00%
36	Residential Distribution Service (Choice) - RDS, RDGDS, RCC			\$0	\$0	\$0	0.00%	0.00%
37	Small Commercial Distribution Service (Choice) - SCD			\$0	\$0	\$0	0.00%	0.00%
38	Small General Distribution Service (≤ 64,400 Therms Annually) - SGDS			\$0	\$0	\$0	0.00%	0.00%
39	Small Distribution Service - SDS			\$0	\$0	\$0	0.00%	0.00%
40	Large Distribution Service - LDS			\$0	\$0	\$0	0.00%	0.00%
41	Main Line Distribution Service Class I - MLDS			\$0	\$0	\$0	0.00%	0.00%
42	Main Line Distribution Service Class II - MLDS			\$0	\$0	\$0	0.00%	0.00%
43	Total STAS			<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	0.00%	0.00%

Columbia Gas of Pennsylvania, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2016

Exhibit No. 103
Schedule No. 8
Page 2 of 8
Witness: M. P. Balmert

Line No.	Description	Adjusted Bills (1) (Exh. 103, Sch. 2)	Adjusted Volumes (2) DTH (Exh. 103, Sch. 3)	Revenue @ Current Rates (3) \$ (Exh. 103, Sch. 1)	Proposed Revenue Increase (4) \$	Total Proposed Revenue (5 = 3 + 4) \$ (Exh. 103, Sch. 7)	Proposed Increase by Rate Schedule (6) %	Proposed Increase by Rate Class (7) %
1	Rider CC							
2	Residential Sales - RS, RDGSS							
3	Small General Service (< 64,400 Therms Annually) - SGSS			\$21,305	\$2,368	\$23,673	10.00%	11.11%
4	Large General Sales Service (≤ 540,000 Therms Annually) - LGSS			\$8,216	\$913	\$9,129	10.00%	11.12%
5	Large General Sales Service (> 540,000 Therms Annually) - LGSS			\$0	\$0	\$0	0.00%	0.00%
6	Negotiated Sales Service - NSS			\$0	\$0	\$0	0.00%	0.00%
7	Residential Distribution Service (Choice) - RDS, RDGDS, RCC			\$7,445	\$827	\$8,272	10.00%	11.11%
8	Small Commercial Distribution Service (Choice) - SCD			\$1,934	\$215	\$2,149	10.00%	11.12%
9	Small General Distribution Service (≤ 64,400 Therms Annually) - SGDS			\$3,476	\$387	\$3,863	10.02%	11.12%
10	Small Distribution Service - SDS			\$0	\$0	\$0	0.00%	0.00%
11	Large Distribution Service - LDS			\$0	\$0	\$0	0.00%	0.00%
12	Main Line Distribution Service Class I - MLDS			\$0	\$0	\$0	0.00%	0.00%
13	Main Line Distribution Service Class II - MLDS			\$0	\$0	\$0	0.00%	0.00%
14	Total Rider CC			\$0	\$0	\$0	0.00%	0.00%
				\$42,376	\$4,710	\$47,086	10.00%	11.11%
15	Choice Administration Charge							
16	Residential Sales - RS, RDGSS							
17	Small General Service (< 64,400 Therms Annually) - SGSS			\$0	\$0	\$0	0.00%	0.00%
18	Large General Sales Service (≤ 540,000 Therms Annually) - LGSS			\$0	\$0	\$0	0.00%	0.00%
19	Large General Sales Service (> 540,000 Therms Annually) - LGSS			\$0	\$0	\$0	0.00%	0.00%
20	Negotiated Sales Service - NSS			\$0	\$0	\$0	0.00%	0.00%
21	Residential Distribution Service (Choice) - RDS, RDGDS, RCC			\$0	\$0	\$0	0.00%	0.00%
22	Small Commercial Distribution Service (Choice) - SCD			\$0	\$0	\$0	0.00%	0.00%
23	Small General Distribution Service (≤ 64,400 Therms Annually) - SGDS			\$0	\$0	\$0	0.00%	0.00%
24	Small Distribution Service - SDS			\$0	\$0	\$0	0.00%	0.00%
25	Large Distribution Service - LDS			\$0	\$0	\$0	0.00%	0.00%
26	Main Line Distribution Service Class I - MLDS			\$0	\$0	\$0	0.00%	0.00%
27	Main Line Distribution Service Class II - MLDS			\$0	\$0	\$0	0.00%	0.00%
28	Total Choice Administration Charge			\$0	\$0	\$0	#DIV/0!	0.00%
				\$0	\$0	\$0	#DIV/0!	0.00%
29	Gas Procurement Charge							
30	Residential Sales - RS, RDGSS							
31	Small General Service (< 64,400 Therms Annually) - SGSS			\$1,645,246	\$0	\$1,645,246	0.00%	0.00%
32	Large General Sales Service (≤ 540,000 Therms Annually) - LGSS			\$634,435	\$0	\$634,435	0.00%	0.00%
33	Large General Sales Service (> 540,000 Therms Annually) - LGSS			\$60,053	\$0	\$60,053	0.00%	0.00%
34	Negotiated Sales Service - NSS			\$10,472	\$0	\$10,472	0.00%	0.00%
35	Residential Distribution Service (Choice) - RDS, RDGDS, RCC			\$0	\$0	\$0	0.00%	0.00%
36	Small Commercial Distribution Service (Choice) - SCD			\$0	\$0	\$0	0.00%	0.00%
37	Small General Distribution Service (≤ 64,400 Therms Annually) - SGDS			\$0	\$0	\$0	0.00%	0.00%
38	Small Distribution Service - SDS			\$0	\$0	\$0	0.00%	0.00%
39	Large Distribution Service - LDS			\$0	\$0	\$0	0.00%	0.00%
40	Main Line Distribution Service Class I - MLDS			\$0	\$0	\$0	0.00%	0.00%
41	Main Line Distribution Service Class II - MLDS			\$0	\$0	\$0	0.00%	0.00%
42	Total Gas Procurement Charge			\$0	\$0	\$0	0.00%	0.00%
				\$2,350,206	\$0	\$2,350,206	0.00%	0.00%

Columbia Gas of Pennsylvania, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2016

Exhibit No. 103
Schedule No. 8
Page 3 of 8
Witness: M. P. Balmert

Line No.	Description	Adjusted Bills (1) (Exh. 103, Sch. 2)	Adjusted Volumes (2) DTH (Exh. 103, Sch. 3)	Revenue @ Current Rates (3) \$ (Exh. 103, Sch. 1)	Proposed Revenue Increase (4) \$	Total Proposed Revenue (5 = 3 + 4) \$ (Exh. 103, Sch. 7)	Proposed Increase by Rate Schedule (6) %	Proposed Increase by Rate Class (7) %
1	Universal Service Plan Rider							
2	Residential Sales - RS, RDGSS			\$20,831,894	\$1,642,879	\$22,474,773	7.89%	7.89%
3	Small General Service (< 64,400 Therms Annually) - SGSS			\$0	\$0	\$0	0.00%	0.00%
4	Large General Sales Service (≤ 540,000 Therms Annually) - LGSS			\$0	\$0	\$0	0.00%	0.00%
5	Large General Sales Service (> 540,000 Therms Annually) - LGSS			\$0	\$0	\$0	0.00%	0.00%
6	Negotiated Sales Service - NSS			\$0	\$0	\$0	0.00%	0.00%
7	Residential Distribution Service (Choice) - RDS, RDGDS, RCC			\$7,279,218	\$574,065	\$7,853,283	7.89%	7.89%
8	Small Commercial Distribution Service (Choice) - SCD			\$0	\$0	\$0	0.00%	0.00%
9	Small General Distribution Service (≤ 64,400 Therms Annually) - SGDS			\$0	\$0	\$0	0.00%	0.00%
10	Small Distribution Service - SDS			\$0	\$0	\$0	0.00%	0.00%
11	Large Distribution Service - LDS			\$0	\$0	\$0	0.00%	0.00%
12	Main Line Distribution Service Class I - MLDS			\$0	\$0	\$0	0.00%	0.00%
13	Main Line Distribution Service Class II - MLDS			\$0	\$0	\$0	0.00%	0.00%
14	Total Universal Service Charge			<u>\$28,111,112</u>	<u>\$2,216,944</u>	<u>\$30,328,056</u>	7.89%	7.89%
15	Merchant Function Charge							
16	Residential Sales - RS, RDGSS			\$1,600,268	\$0	\$1,600,268	0.00%	0.00%
17	Small General Service (< 64,400 Therms Annually) - SGSS			\$178,920	\$0	\$178,920	0.00%	0.00%
18	Large General Sales Service (≤ 540,000 Therms Annually) - LGSS			\$0	\$0	\$0	0.00%	0.00%
19	Large General Sales Service (> 540,000 Therms Annually) - LGSS			\$0	\$0	\$0	0.00%	0.00%
20	Negotiated Sales Service - NSS			\$0	\$0	\$0	0.00%	0.00%
21	Residential Distribution Service (Choice) - RDS, RDGDS, RCC			\$0	\$0	\$0	0.00%	0.00%
22	Small Commercial Distribution Service (Choice) - SCD			\$0	\$0	\$0	0.00%	0.00%
23	Small General Distribution Service (≤ 64,400 Therms Annually) - SGDS			\$0	\$0	\$0	0.00%	0.00%
24	Small Distribution Service - SDS			\$0	\$0	\$0	0.00%	0.00%
25	Large Distribution Service - LDS			\$0	\$0	\$0	0.00%	0.00%
26	Main Line Distribution Service Class I - MLDS			\$0	\$0	\$0	0.00%	0.00%
27	Main Line Distribution Service Class II - MLDS			\$0	\$0	\$0	0.00%	0.00%
28	Total Merchant Function Charge			<u>\$1,779,188</u>	<u>\$0</u>	<u>\$1,779,188</u>	0.00%	0.00%
29	Gas Cost							
30	Residential Sales - RS, RDGSS			\$127,574,045	\$0	\$127,574,045	0.00%	0.00%
31	Small General Service (< 64,400 Therms Annually) - SGSS			\$49,194,765	\$0	\$49,194,765	0.00%	0.00%
32	Large General Sales Service (≤ 540,000 Therms Annually) - LGSS			\$4,656,534	\$0	\$4,656,534	0.00%	0.00%
33	Large General Sales Service (> 540,000 Therms Annually) - LGSS			\$812,004	\$0	\$812,004	0.00%	0.00%
34	Negotiated Sales Service - NSS			\$272,136	\$0	\$272,136	0.00%	0.00%
35	Residential Distribution Service (Choice) - RDS, RDGDS, RCC			\$7,867,184	\$0	\$7,867,184	0.00%	0.00%
36	Small Commercial Distribution Service (Choice) - SCD			\$1,561,496	\$0	\$1,561,496	0.00%	0.00%
37	Small General Distribution Service (≤ 64,400 Therms Annually) - SGDS			\$784,822	\$0	\$784,822	0.00%	0.00%
38	Small Distribution Service - SDS			\$0	\$0	\$0	0.00%	0.00%
39	Large Distribution Service - LDS			\$0	\$0	\$0	0.00%	0.00%
40	Main Line Distribution Service Class I - MLDS			\$0	\$0	\$0	0.00%	0.00%
41	Main Line Distribution Service Class II - MLDS			\$0	\$0	\$0	0.00%	0.00%
42	Total Gas Cost			<u>\$192,722,986</u>	<u>\$0</u>	<u>\$192,722,986</u>	0.00%	0.00%

Columbia Gas of Pennsylvania, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2016

Exhibit No. 103
Schedule No. 8
Page 4 of 8
Witness: M. P. Balmert

Line No.	Description	Total (1)	RS/RDG/RGSS RDS/ RDGDS/RCC (2)	SGSS/SCD/SGDS (3)	SDS/LGS (4)	LDS/LGS (5)	MDS/NSS (6)
1	Determination of Revenue Distribution						
2	Rate Base (Exhibit 111, Schedule 1, Page 2, Line 12)	\$1,325,130,928	\$957,922,206	\$227,445,754	\$58,019,730	\$81,361,248	\$381,990
3							
4	Unitized Return @ Current Rates (Exhibit 111, Schedule 1, Page 2, Line 14)	1.00000	0.89804	1.34730	1.31067	0.84227	36.21020
5	Proposed Unitized Return	1.00000	0.94300	1.20130	1.20130	0.84275	26.96200
6	Change in Unitized Return	0.00000	0.04496	(0.14600)	(0.10937)	0.00048	(9.24820)
7	Rate of Return Requested	8.140%	7.676%	9.779%	9.779%	6.860%	219.471%
8	Net Operating Income @ Requested Return (Line 2 x Line 7)	\$107,865,658	\$73,530,109	\$22,241,920	\$5,673,749	\$5,581,523	\$838,357
9	Net Operating Income @ Current Rates (Exhibit 111, Sch. 1, Page 2, Line 11)	\$80,316,826	\$52,142,757	\$18,573,108	\$4,608,814	\$4,153,794	\$838,353
10	Income Deficiency (Line 8 - Line 9)	\$27,548,832	\$21,387,352	\$3,668,812	\$1,064,935	\$1,427,729	\$4
11	Gross Conversion Factor	<u>1.67602331</u>	<u>1.67602331</u>	<u>1.67602331</u>	<u>1.67602331</u>	<u>1.67602331</u>	<u>1.67602331</u>
12	Revenue Required Increase (Exhibit 102 Sch. 3 Page 3)	46,172,484	35,845,700	6,149,014	1,784,856	2,392,907	7
13	Revenue Requirement Change Due to Settlement	<u>(18,172,484)</u>	<u>(15,468,813)</u>	<u>(1,632,395)</u>	<u>143,763</u>	<u>(1,215,202)</u>	<u>163</u>
14	Revenue Required Increase per Settlement	28,000,000	20,376,887	4,516,619	1,928,619	1,177,705	170
15	Percent Distribution to Rate Classes	100.00%	72.77%	16.13%	6.89%	4.21%	0.00%
16	Less: Proposed Change in STAS (Page 1 Line 30 through Line 43)	0	0	0	0	0	0
17	Less: Proposed Change Other Gas Department Revenue (Page 1 Line 14)	69,243	50,393	11,169	4,769	2,912	0
18	Less: Proposed Change in Rider CC (Page 2 Line 1 through Line 14)	4,710	3,195	1,515	0	0	0
19	Less: Shift Inc. Emergency Repairs Program to USP (Witness Krajovic, Statement 6)	100,000	100,000	0	0	0	0
20	Less: Shift Emergency Repairs Program to USP (Witness Krajovic, Statement 6)	500,000	500,000	0	0	0	0
21	Less: Shift CAP Application Administration Chg to USP (Witness Krajovic, Statement 6)	170,000	170,000	0	0	0	0
22	Less: Proposed Change in Choice Admin. Charge Revenue (Page 2 Line 17 through Line 29)	0	0	0	0	0	0
23	Less: Proposed Change in Gas Procurement Revenue (Page 2 Line 32 through Line 42)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
24	Proposed Increase to Base Revenue	\$27,156,047	\$19,553,299	\$4,503,935	\$1,923,850	\$1,174,793	\$170
25	Percent Distribution to Rate Classes	100.00%	72.00%	16.59%	7.08%	4.33%	0.00%
26	Current Base Revenue	\$313,165,562	\$224,173,361	\$57,705,207	\$14,052,431	\$15,769,810	\$1,464,753
27	Current Percent Distribution of Rate Classes	100.00%	71.58%	18.43%	4.49%	5.04%	0.47%
28	Proposed Base Revenue	\$340,321,609	\$243,726,660	\$62,209,142	\$15,976,281	\$16,944,603	\$1,464,923
29	Proposed Percent Distribution of Rate Classes	100.00%	71.62%	18.28%	4.69%	4.98%	0.43%

Columbia Gas of Pennsylvania, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2016

Exhibit No. 103
Schedule No. 8
Page 5 of 8
Witness: M. P. Balmert

Line No.	<u>Bills</u>	<u>Dth</u>	<u>Proposed Rate</u> \$	<u>Proposed Revenue</u> \$	<u>Current Revenue</u> \$	<u>Percent of Current Revenue</u> %	<u>Current Rate</u> \$	<u>Proposed Inc. (Dec.)</u> \$	
1	Residential Rate Design (RS, RGS, RDS, RDGDS, RCC)								
2	Total Revenue @ Current Rates				\$390,999,966				
3	Less: STAS				0				
4	Less: Gas Cost Revenue				135,441,229				
5	Less: Gas Procurement Charge				1,645,246				
6	Less: Rider CC				28,750				
7	Less: Merchant Function Charge				1,600,268				
8	Less: Choice Administration Charge				0				
9	Less: Rider USP				28,111,112				
10	Plus: Proposed Increase to Base Rates				19,553,299				
11	Proposed Base Revenue				\$243,726,660				
12	Less: Customer Charge Revenue (Exhibit 103, Sch. 1)	4,704,314	16.75	78,797,260	78,797,260	35.15%	16.75	-	
13	Net Volumetric Gas Revenue				164,929,400				
14	All Gas Consumed (Exhibit 103, Sch. 1)		34,500,000.0	4.7806	164,930,700	145,376,101	64.85%	4.2138	19,554,599
15	Total Base Revenue Charge						100.00%	19,554,599	
16	Rider USP - Universal Service Plan								
17	Universal Service Plan Rider @ Current Rate				28,111,112				
18	Plus: Shift Inc. Emergency Repairs Program to USP (Witness Krajovic, Statement 6)				100,000				
19	Plus: Shift Emergency Repairs Program to USP (Witness Krajovic, Statement 6)				500,000				
20	Plus: Shift CAP Application Administration Chg to USP (Witness Krajovic, Statement 6)				170,000				
21	Plus: Redistribution of CAP shortfall resulting from proposed rates				1,448,488				
22	Expected Change in Universal Service Plan Rider Rate		31,944,445.2	0.9494	30,329,600		0.8800		

Columbia Gas of Pennsylvania, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2016

Exhibit No. 103
Schedule No. 8
Page 6 of 8
Witness: M. P. Balmert

Line No.	<u>Bills</u>	<u>Dth</u>	<u>Proposed Rate</u> \$	<u>Proposed Revenue</u> \$	<u>Current Revenue</u> \$	<u>Percent of Current Revenue</u> %	<u>Current Rate</u> \$	<u>Proposed Inc. (Dec.)</u> \$	
1	Small General Service Rate Design ≤ 64,440 Thms Annually (SGSS, SCD, SGDS)								
2	Total Revenue @ Current Rates				\$110,073,271				
3	Less: STAS				0				
4	Less: Gas Cost Revenue				51,541,083				
5	Less: Gas Procurement Charge				634,435				
6	Less: Rider CC				13,626				
7	Less: Merchant Function Charge				178,920				
8	Less: Choice Administration Charge				0				
9	Less: Rider USP				0				
10	Plus: Proposed Increase to Base Rates				<u>4,503,935</u>				
11	Proposed Base Revenue				\$62,209,142				
12	Less: Less Flex Revenue (SGDS)				\$34,785				
13	Less: Customer Charge Revenue (Exhibit 103, Sch. 1) ≤ 6,440 Thms				379,294	21.25	8,059,999	13.98%	21.25
14	Less: Customer Charge Revenue (Exhibit 103, Sch. 1) > 6,440 to ≤ 64,440 Thms				64,468	48.00	<u>3,094,464</u>	5.37%	48.00
15	Net Volumetric Gas Revenue				\$51,019,895				
16	All Gas Consumed Rate			15,140,338.0	3.3698	51,019,911			
17	SGSS,SCD @ uniform rate			11,277,612.2	3.3698	38,003,298			
18	SGDS @ uniform rate			3,862,725.8	3.3698	13,016,613			
19	Intra-Class Adjustment - SGDS to SGSS/SCD (Exhibit BEE-2)				597,433				
20	Less Than 6,440 Therms Annually - SGSS, SCD			6,051,809.7	3.5939	21,749,599		18,993,604	
21	6,440 - 64,400 Therms Annually - SGSS, SCD			<u>5,225,802.5</u>	3.2246	<u>16,851,132</u>		16,401,181	
22	Total SGSS,SCD			11,277,612.2	3.4228	38,600,731	61.37%	35,394,785	
23	Less Than 6,440 Therms Annually - SGDS			201,894.9	3.3759	681,577		581,276	
24	6,440 - 64,400 Therms Annually - SGDS			<u>3,660,830.9</u>	3.2062	<u>11,737,603</u>		10,539,898	
25	Total SGDS			3,862,725.8	3.2151	12,419,180	19.28%	11,121,174	
26	Total Base Revenue Charge						100.00%	4,503,951	

Columbia Gas of Pennsylvania, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2016

Exhibit No. 103
Schedule No. 8
Page 7 of 8
Witness: M. P. Balmert

Line No.	<u>Bills</u>	<u>Dth</u>	<u>Proposed Rate</u> \$	<u>Proposed Revenue</u> \$	<u>Current Revenue</u> \$	<u>Percent of Current Revenue</u> %	<u>Current Rate</u> \$	<u>Proposed Inc. (Dec.)</u> \$		
1	Small Distribution Service Rate Design (SDS/LGSS)									
2	Total Revenue @ Current Rates				\$18,769,018					
3	Less: STAS				0					
4	Less: Gas Cost Revenue				4,656,534					
5	Less: Choice Administration Charge				0					
6	Less: Gas Procurement Charge				60,053					
7	Plus: Proposed Increase to Base Rates				<u>1,923,850</u>					
8	Proposed Base Revenue				\$15,976,281					
9	Less: Flex Revenue				199,061					
10	Less: Customer Charge Revenue (Exhibit 103, Sch. 1) > 64,400 to ≤ 110,000 Thrms	2,616	215.00	562,440	444,720		170.00	117,720		
11	Less: Customer Charge Revenue (Exhibit 103, Sch. 1) > 110,000 to ≤ 540,000 Thrms	2,901	685.00	<u>1,987,185</u>	1,856,640		640.00	130,545		
12	Net Volumetric Gas Revenue				6,685,249.9	1.9786		\$13,227,595		
13	> 64,400 to ≤ 110,00 Therms Annually (Exhibit 103, Sch. 1)			1,799,785.7	2.0774	3,738,875	3,177,796	27.51%	1.6738	561,079
14	> 110,000 to ≤ 540,000 Therms Annually (Exhibit 103, Sch. 1)			4,885,464.2	1.9422	\$9,488,720	8,374,214	<u>72.49%</u>	1.6738	<u>1,114,506</u>
15	Total Base Revenue Charge						100.00%	1,923,850		
16	Large Distribution Service Rate Design (LDS/LGSS)									
17	Total Revenue @ Current Rates				\$16,592,286					
18	Less: STAS				0					
19	Less: Gas Cost Revenue				812,004					
20	Less: Choice Administration Charge				0					
21	Less: Gas Procurement Charge				10,472					
22	Plus: Proposed Increase to Base Rates				<u>1,174,793</u>					
23	Proposed Base Revenue				\$16,944,603					
24	Less: Flex Revenue				3,679,929					
25	Less: Customer Charge Revenue (Exhibit 103, Sch. 1)									
26	> 540,000 to ≤ 1,074,000 Thms	590	1,800.00	1,062,000	767,000		1,300.00	295,000		
27	> 1,074,000 to ≤ 3,400,000 Therms Annually	326	2,800.00	912,800	749,800		2,300.00	163,000		
28	> 3,400,000 to ≤ 7,500,000 Therms Annually	48	5,400.00	259,200	230,400		4,800.00	28,800		
29	> 7,500,000 Therms Annually	12	8,000.00	<u>96,000</u>	88,800		7,400.00	7,200		
30	Net Volumetric Gas Revenue				10,934,674					
31	Usage Charge (Exhibit 103, Sch. 1)									
32	> 540,000 to ≤ 1,074,000 Thms			3,738,057.8	1.2001	4,486,003	4,360,329	41.03%	1.1359	125,674
33	> 1,074,000 to ≤ 3,400,000 Therms Annually			4,193,800.0	1.0645	4,464,192	4,186,251	40.83%	0.9982	277,941
34	> 3,400,000 to ≤ 7,500,000 Therms Annually			1,616,000.0	0.9553	1,543,976	1,335,301	14.12%	0.8263	208,675
35	> 7,500,000 Therms Annually			775,000.0	0.5684	<u>440,503</u>	<u>372,000</u>	<u>4.03%</u>	0.4800	<u>68,503</u>
36	Total Base Revenue Charge				10,934,674		10,253,881	100.00%	680,793	1,174,793

Columbia Gas of Pennsylvania, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2016

Exhibit No. 103
Schedule No. 8
Page 8 of 8
Witness: M. P. Balmert

Line No.	Bills	Dth	Proposed Rate \$	Proposed Revenue \$	Current Revenue \$	Percent of Current Revenue %	Current Rate \$	Proposed Inc. (Dec.) \$	
1	Main Line Service Rate Design - Class I (NSS and MLDS-I) and MDS Class II								
2	Total Revenue @ Current Rates				\$1,736,889				
3	Less: STAS				0				
4	Less: Gas Cost Revenue				272,136				
5	Plus: Proposed Increase to Base Rates				170				
6	Proposed Base Revenue				\$1,464,923				
7	Less: Flex Revenue				1,248,927				
8	Less: MDS I Customer Charge Revenue (Exhibit 103, Sch. 1)								
9			0	469.34	0		469.34	0	
10			0	1,149.00	55,152		1,149.00	0	
11			0	2,050.00	0		2,050.00	0	
12			0	4,096.00	0		4,096.00	0	
13			0	7,322.00	0		7,322.00	0	
14	Less: MDS II Customer Charge Revenue (Exhibit 103, Sch. 1)								
15			0	2,050.00	24,600	24,600	2,050.00	-	
16			0	4,096.00	0	0	4,096.00	-	
17			0	7,322.00	0	0	7,322.00	-	
18	Net Volumetric Gas Revenue				\$136,244				
19	MDS I Usage Charge (Exhibit 103, Sch. 1)			211,000.0	0.0937	19,775	14.51%	0.0936	25
20	MDS II Usage Charge (Exhibit 103, Sch. 1)								
21			0	260,000.0	0.4479	116,469	85.49%	0.4474	145
22			0	0.0	0.3874	0	0.00%	0.3869	0
23			0	0.0	0.3355	0	0.00%	0.3351	0
24							100.00%		
25	Total Base Revenue Charge								170

Appendix C

COLUMBIA GAS OF PENNSYLVANIA, INC.

121 Champion Way, Suite 100

Canonsburg, Pennsylvania

RATES AND RULES

FOR

FURNISHING GAS SERVICE

IN

THE TERRITORY AS DESCRIBED HEREIN

ISSUED:

EFFECTIVE:

ISSUED BY: M. R. KEMPIC, PRESIDENT
121 CHAMPION WAY, SUITE 100
CANONSBURG, PENNSYLVANIA 15317

NOTICE

This Tariff Supplement Makes Rate Increases and Changes to the Existing Tariff - See "List of Changes Made by This Tariff Supplement" on Page Nos. 2 through 2b.

Columbia Gas of Pennsylvania, Inc.

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
Cover	Tariff Cover Page	Supplement No., Issue and Effective Date. Revised the "NOTICE".
2- 2b	List of Changes	List of Changes.
3	Table of Contents	Added Rule 21. Flexible Service Provisions.
4	Table of Contents	Corrected labeling for page numbers 125 and 127.
9	Description of Territory	Corrected the spelling of Neshannock Township.
16	Rate Summary	The Distribution Charge and Pass-through Charge have increased. The Gas Supply Charge has decreased for Rate Schedule RSS.
17	Rate Summary	The Distribution Charge and Pass-through Charge have increased. The Gas Supply Charge has decreased for Rate Schedule SGSS.
18	Rate Summary	The Customer Charge has increased. The Distribution Charge has been changed from a step rate to a fixed usage charge per therm based on annual consumption for Rate Schedule LGSS. The Distribution Charge for Rate Schedule SDS has increased and there are two rates based on annual consumption. The Distribution Charge for Rate Schedule LDS has increased. The Gas Supply Charge for Rate Schedule LGSS has decreased.
19	Rate Summary	The Distribution Charge has increased.
20	Other Rates Summary	The Price-to-Compare has decreased.

Issued:

M. R. Kempic
President

Effective:

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
21	Rider Summary	The Rider CC and Rider USP have increased. The Rider MFC has increased for Rate Schedule RSS and decreased for Rate Schedule SGSS.
21a	Gas Supply Charge Summary	The Rider MFC has increased for Rate Schedule RSS and decreased for Rate Schedule SGSS.
21b	Pass-through Charge Summary	The Rider CC and Rider USP have increased.
21c	Price-to-Compare Summary	The Rider MFC has increased for Rate Schedule RSS and decreased for Rate Schedule SGSS.
42	5. Testing and Inspecting of Customer's Installations	Revised the title of paragraph 5.2.
48	8. Extensions	Revised paragraph 8.1 Service Connections, subpart (a). Revised paragraph 8.2 Capital Expenditure Policy and subparagraph 8.2.1 Residential Distribution Service. Moved subparagraph 8.2.2 Commercial and Industrial Distribution Service to page 49.
49	8. Extensions	Moved subparagraph 8.2.2 Commercial and Industrial Distribution Service from page 48.
70	21. Flexible Service Provisions	Added Flexible Service Provisions in its entirety.
146	Rider USP	Revised Calculation of Rate paragraphs.
155	Rider PGC – Purchased Gas Cost	Corrected a formatting error in the Demand "E" Factor subparagraph (b) (3).
161	Rider MFC – Merchant Function Charge	The uncollectible percentages are revised.

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
169	Rider EBS – Elective Balancing Services	Changed the due date of bank balance transfer requests to the third business day.
207	Rules Applicable Only to General Distribution Service	Changed the OFO non-compliance charge to \$2.08 per therm in paragraph 3.7.4(1).
208	Rules Applicable Only to General Distribution Service	Changed the OMO non-compliance charge to \$2.08 per therm in paragraph 3.8.5(1). Added "(UNDER-DELIVERIES)" to the title of paragraph 3.11.
209	Rules Applicable Only to General Distribution Service	Changed the rate calculation of imbalance gas sold by the Company when a Customer Proxy under-delivers in paragraph 3.11.2. Removed existing paragraph 3.11.3. Renumbered existing paragraphs 3.11.4, 3.11.5 and 3.11.6.
210	Rules Applicable Only to General Distribution Service	Added "(OVER-DELIVERIES)" to the title of paragraph 3.12. Changed the rate calculation of imbalance gas purchased by the Company when a Customer Proxy over-delivers in paragraph 3.12.2. Removed existing paragraph 3.12.3. Renumbered existing paragraphs 3.12.4 and 3.12.5.
212	Rules Applicable Only to General Distribution Service	Removed the text that required SGS-Priority One accounts to be in an aggregation nomination group that did not include other rate schedules in paragraph 3.15.1.4.
242	Rules Applicable Only to Choice Service	Changed the OFO non-compliance charge to \$4.16 per therm.
243	Rules Applicable Only to Choice Service	Changed the charge for failure to deliver the Choice Daily Delivery Requirement to \$2.08 per therm.

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(C)
(C)

(C) Indicates Change

Issued:

M. R. Kempic
 President

Effective:

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(C) Indicates Change

Issued:

M. R. Kempic
 President

Effective:

(C)

DESCRIPTION OF TERRITORY (Continued)

LAWRENCE COUNTY	SOMERSET COUNTY	WESTMORELAND COUNTY
Bessemer	Addison Township	Alverton
Big Beaver Township	Berlin	Ardara
Chewton	Brothers Valley Township	Buzzardtown
Ellport	Elk Lick Township	Cereal
Ellwood City	Greenville Township	Circleville
Energy	Meyersdale	Coal Hollow
Harlansburg	Salisbury	Collinsburg
Hickory Township	Somerset	Cowansburg
Joyce	Somerset Township	East Huntingdon Township
Little Beaver Township	Southampton Township	Eldora
Mt. Jackson	Summit Township	Fellsburg
Neshannock Township		Fells Chapel
New Castle		Foxtone
North Beaver Township		Grapeville
Perry Township		Gratztown
Princeton	Clintonville	Hahtown
Scott Township	Clinton Township	Hempfield Township
Shenango Township	Dotter	Herminie
Slippery Rock Township	Emleton	Irwin
South New Castle	Freedom	Jeanette
Taylor Township	Irwin Township	Lower
Union Township	Mariasville	Madison
Wampum	Nickleville	Marchland
Wayne Township	Pittsville	Monessen
Wurtemburg	Richland Township	Mt. Pleasant
	Rockland Township	Mt. Pleasant Township
	Scrubgrass Township	North Huntingdon Township
		Penglyn
		Penn
McKEAN COUNTY	WARREN COUNTY	Penn Township
Bradford	Conewango Township	Rilton
Bradford Township	Glade Township	Rostrover Township
Custer City	Mead Township	Ruffsdale
Dallas City	Pleasant Township	Rural (Scottdale)
Degolia	Russell	Scottdale
Derrick City	Sheffield Township	Scottley Township
Foster Brook	Starbrick	Sewickley Township
Foster Township	Warren	Shafton
Lafayette Township		Smithton
Lewis Run		South Huntingdon Township
Mt. Alton		Stewartsville
Tune		Straw Pump
		Sutersville
		Tarr
MERCER COUNTY		Unity Township
Liberty Township		West Newton
North Liberty		Youngwood

WASHINGTON COUNTY

The Company is certified to serve in all cities, boroughs and townships in Washington County.

(C) Indicates Change

Columbia Gas of Pennsylvania, Inc.

Rate Summary						
Rate per thm						
Residential Rate Schedules	Distribution Charge	Gas Supply Charge 1/	Gas Cost Adjustment	Pass-Through Charge 2/	State Tax Adjustment Surcharge 3/	Total Effective Rate
<u>Rate RSS - Residential Sales Service</u>						
Customer Charge	\$ 20.60	-	-	-	0.00	20.60
Usage Charge	\$ 0.47354	0.44851	(0.00321)	0.20071	0.00000	1.11955
Customer Transferring from Rate Schedule RDS - Usage Charge	\$ 0.47354	0.44851	-	4/ 0.20071	0.00000	1.12276
<u>Rate RDS - Residential Distribution Service</u>						
Customer Charge	\$ 20.60	-	-		0.00	20.60
Usage Charge:						
Customers Electing CHOICE - 1st Year	\$ 0.47354	-	(0.00321) 5/	0.17633	0.00000	0.64666
Customers Electing CHOICE - 2nd Year	\$ 0.47354	-	-	0.17633	0.00000	0.64987

1/ Please see Page No. 21a for rate components.
 2/ Please see Page No. 21b for rate components.
 3/ The STAS percentage is reflected on Page No. 20 and is applied to the Customer Charge and the Distribution Charge.
 4/ If a customer transfers to RSS from RDS, the Gas Cost Adjustment shall not be billed for up to twelve billing cycles.
 5/ If a customer transfers to RDS from RSS, the Gas Cost Adjustment shall be billed for up to twelve billing cycles.

Issued: March 19, 2015

Mark R. Kempic - President

Effective: May 18, 2015

Columbia Gas of Pennsylvania, Inc.

Rate Summary

Rate per thm

Commercial / Industrial Rate Schedules ≤ 64,400 therms - 12 Months Ending October	Distribution Charge	Gas Supply Charge 1/	Gas Cost Adjustment	Pass-through Charge 2/	State Tax Adjustment Surcharge 3/	Total Effective Rate
<u>Rate SGSS - Small General Sales Service</u>						
Customer Charge:						
Annual Throughput ≤ 6,440 thm	\$ 27.75	-	-	-	0.00	27.75
Annual Throughput > 6,440 thm and ≤ 64,400 thm	\$ 55.50	-	-	-	0.00	55.50
Usage Charge						
Annual Throughput ≤ 6,440 thm	\$ 0.35027	0.44371	(0.00321) 4/	0.10327	0.00000	0.89404
Annual Throughput > 6,440 thm and ≤ 64,400 thm	\$ 0.31427	0.44371	(0.00321) 4/	0.10327	0.00000	0.85804
<u>Rate SCD - Small Commercial Distribution</u>						
Customer Charge:						
Annual Throughput ≤ 6,440 thm	\$ 27.75	-	-	-	0.00	27.75
Annual Throughput > 6,440 thm and ≤ 64,400 thm	\$ 55.50	-	-	-	0.00	55.50
Usage Charge: Customers Electing CHOICE - 1st year						
Annual Throughput ≤ 6,440 thm	\$ 0.35027	-	(0.00321) 5/	0.07889	0.00000	0.42595
Annual Throughput > 6,440 thm and ≤ 64,400 thm	\$ 0.31427	-	(0.00321) 5/	0.07889	0.00000	0.38995
Usage Charge: Customers Electing CHOICE - more than 1 year						
Annual Throughput ≤ 6,440 thm	\$ 0.35027	-	-	0.07889	0.00000	0.42916
Annual Throughput > 6,440 thm and ≤ 64,400 thm	\$ 0.31427	-	-	0.07889	0.00000	0.39316
<u>Rate SGDS - Small General Distribution Service</u>						
Customer Charge:						
Annual Throughput ≤ 6,440 thm	\$ 27.75	-	-	-	-	27.75
Annual Throughput > 6,440 thm and ≤ 64,400 thm	\$ 55.50	-	-	-	-	55.50
Choice Administration Charge	\$ 13.67	-	-	-	0.00	13.67
Usage Charge - Priority One						
Annual Throughput ≤ 6,440 thm	\$ 0.32846	-	-	5/ 0.10327	0.00000	0.43173 6/
Annual Throughput > 6,440 thm and ≤ 64,400 thm	\$ 0.31196	-	-	5/ 0.10327	0.00000	0.41523 6/
Usage Charge - Non-Priority One						
Annual Throughput ≤ 6,440 thm	\$ 0.32846	-	-	5/ 0.00010	-	0.32856 6/
Annual Throughput > 6,440 thm and ≤ 64,400 thm	\$ 0.31196	-	-	5/ 0.00010	-	0.31206 6/

1/ Please see Page 21a for rate components.

2/ Please see Page 21b for rate components.

3/ The STAS percentage is reflected on Page No. 20 and is applied to the Customer Charge and the Distribution Charge.

4/ If a customer transfers to SGSS from SCD or SGDS, the Gas Cost Adjustment shall not be billed for up to twelve billing cycles.

5/ If a customer transfers to SCD or SGDS from SGSS, the Gas Cost Adjustment shall be billed for up to twelve billing cycles.

6/ Plus Rider EBS Option 1 or 2 - See Page 21.

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Columbia Gas of Pennsylvania, Inc.

Rate Summary						
Rate per thm						
Commercial / Industrial Rate Schedules > 64,400 therms - 12 Months Ending October	Distribution Charge	Gas Supply Charge 1/	Gas Cost Adjustment	Pass-through Charge 2/	State Tax Adjustment Surcharge 3/	Total Effective Rate
Rate LGSS - Large General Sales Service						
Customer Charge:						
Annual Throughput > 64,400 thm and <= 110,000 thm	\$ 215.00				0.00	215.00
Annual Throughput > 110,000 thm and <= 540,000 thm	\$ 685.00				0.00	685.00
Annual Throughput > 540,000 thm and <= 1,074,000 thm	\$ 1,800.00				0.00	1,800.00
Annual Throughput > 1,074,000 thm and <= 3,400,000 thm	\$ 2,800.00				0.00	2,800.00
Annual Throughput > 3,400,000 thm and <= 7,500,000 thm	\$ 5,400.00				0.00	5,400.00
Annual Throughput > 7,500,000 thm	\$ 8,000.00				0.00	8,000.00
Usage Charge:						
Annual Throughput > 64,400 and <= 110,000 thm	\$ 0.20523	0.44175	(0.00321) 4/	0.10317	0.00000	0.74694
Annual Throughput > 110,000 <= 540,000 thm	\$ 0.19186	0.44175	(0.00321) 4/	0.10317	0.00000	0.73357
Annual Throughput > 540,000 <= 1,074,000 thm	\$ 0.13812	0.44175	(0.00321) 4/	0.10317	0.00000	0.67983
Annual Throughput > 1,074,000 <= 3,400,000 thm	\$ 0.11820	0.44175	(0.00321) 4/	0.10317	0.00000	0.65991
Annual Throughput > 3,400,000 <= 7,500,000 thm	\$ 0.09784	0.44175	(0.00321) 4/	0.10317	0.00000	0.63955
Annual Throughput > 7,500,000 thm	\$ 0.05684	0.44175	(0.00321) 4/	0.10317	0.00000	0.59855
Rate SDS - Small Distribution Service						
Customer Charge:						
Annual Throughput > 64,400 thm and <= 110,000 thm	\$ 215.00	-	-	-	0.00	215.00
Annual Throughput > 110,000 thm and <= 540,000 thm	\$ 685.00	-	-	-	0.00	685.00
Choice Administration Charge	\$ 13.67				0.00	13.67
Usage Charge:						
> 64,400 thm and <= 110,000 thm	\$ 0.20523	-	-	5/	0.00000	0.20523 6/
> 110,000 thm and <= 540,000 thm	\$ 0.19186	-	-	5/	0.00000	0.19186 6/
Rate LDS - Large Distribution Service						
Customer Charge:						
Annual Throughput > 540,000 thm and <= 1,074,000 thm	\$ 1,800.00	-	-	-	0.00	1,800.00
Annual Throughput > 1,074,000 thm and <= 3,400,000 thm	\$ 2,800.00	-	-	-	0.00	2,800.00
Annual Throughput > 3,400,000 thm and <= 7,500,000 thm	\$ 5,400.00	-	-	-	0.00	5,400.00
Annual Throughput > 7,500,000 thm	\$ 8,000.00	-	-	-	0.00	8,000.00
Choice Administration Charge	\$ 13.67				0.00	13.67
Usage Charge:						
Annual Throughput > 540,000 thm and <= 1,074,000 thm	\$ 0.13812	-	-	5/	0.00000	0.13812 6/
Annual Throughput > 1,074,000 thm and <= 3,400,000 thm	\$ 0.11820	-	-	5/	0.00000	0.11820 6/
Annual Throughput > 3,400,000 thm and <= 7,500,000 thm	\$ 0.09784	-	-	5/	0.00000	0.09784 6/
Annual Throughput > 7,500,000 thm	\$ 0.05684	-	-	5/	0.00000	0.05684 6/

1/ Please see Page 21a for rate components.

2/ Please see Page 21b for rate components.

3/ The STAS percentage is reflected on Page No. 20 and is applied to the Customer Charge and the Distribution Charge.

4/ If a customer transfers to LGSS from SDS or LDS, the Gas Cost Adjustment shall not be billed for up to twelve billing cycles.

5/ If a customer transfers to SDS or LDS from LGSS, the Gas Cost Adjustment shall be billed for up to twelve billing cycles.

6/ Plus Rider EBS Option 1 or 2 - See Page 21.

Columbia Gas of Pennsylvania, Inc.

Canceling Seventeenth Revised Page No. 19

Rate Summary						
Rate per thm						
Main Line Service Rate Schedules Commercial / Industrial	Distribution Charge	Gas Supply Charge 1/	Gas Cost Adjustment	Pass-through Charge 2/	State Tax Adjustment Surcharge 3/	Total Effective Rate
<u>Rate MLSS - Main Line Sales Service</u>						
Customer Charge:						
Annual Throughput > 274,000 thm and <= 540,000 thm	\$ 469.34	-	-	-	0.00	469.34
Annual Throughput > 540,000 thm and <= 1,074,000 thm	\$ 1,149.00	-	-	-	0.00	1,149.00
Annual Throughput > 1,074,000 thm and <= 3,400,000 thm	\$ 2,050.00	-	-	-	0.00	2,050.00
Annual Throughput > 3,400,000 thm and <= 7,500,000 thm	\$ 4,096.00	-	-	-	0.00	4,096.00
Annual Throughput > 7,500,000 thm	\$ 7,322.00	-	-	-	0.00	7,322.00
Usage Charge:						
MLS Class I Annual Throughput > 274,000 thm	\$ 0.00932	0.44175	(0.00321) 4/	0.10317	0.00000	0.55103
MLS Class II:						
Annual Throughput > 2,146,000 thm and <= 3,400,000 thm	\$ 0.04453	0.44175	(0.00321) 4/	0.10317	0.00000	0.58624
Annual Throughput > 3,400,000 thm and <= 7,500,000 thm	\$ 0.03851	0.44175	(0.00321) 4/	0.10317	0.00000	0.58022
Annual Throughput > 7,500,000 thm	\$ 0.03335	0.44175	(0.00321) 4/	0.10317	0.00000	0.57506
<u>Rate MLDS - Main Line Distribution Service</u>						
Customer Charge:						
Annual Throughput > 274,000 thm and <= 540,000 thm	\$ 469.34	-	-	-	0.00	469.34
Annual Throughput > 540,000 thm and <= 1,074,000 thm	\$ 1,149.00	-	-	-	0.00	1,149.00
Annual Throughput > 1,074,000 thm and <= 3,400,000 thm	\$ 2,050.00	-	-	-	0.00	2,050.00
Annual Throughput > 3,400,000 thm and <= 7,500,000 thm	\$ 4,096.00	-	-	-	0.00	4,096.00
Annual Throughput > 7,500,000 thm	\$ 7,322.00	-	-	-	0.00	7,322.00
Choice Administration Charge	\$ 13.67				0.00	13.67
Usage Charge:						
MLS Class I Annual Throughput > 274,000 thm	\$ 0.00932	-	-	5/	0.00000	0.00932 6/
MLS Class II:						
Annual Throughput > 2,146,000 thm and <= 3,400,000 thm	\$ 0.04453	-	-	5/	0.00000	0.04453 6/
Annual Throughput > 3,400,000 thm and <= 7,500,000 thm	\$ 0.03851	-	-	5/	0.00000	0.03851 6/
Annual Throughput > 7,500,000 thm	\$ 0.03335	-	-	5/	0.00000	0.03335 6/
1/ Please see Page 21a for rate components.						
2/ Please see Page 21b for rate components.						
3/ The STAS percentage is reflected on Page No. 20 and is applied to the Customer Charge and the Distribution Charge.						
4/ If a customer transfers to MLSS from MLDS, the Gas Cost Adjustment shall not be billed for up to twelve billing cycles.						
5/ If a customer transfers to MLDS from MLSS, the Gas Cost Adjustment shall be billed for up to twelve billing cycles.						
6/ Plus Rider EBS Option 1 or 2 - See Page 21.						

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Columbia Gas of Pennsylvania, Inc.

Other Rates Summary		
Rate per thm		
Description	Rate \$/ thm	Applicable Rate Schedules
Tennessee Gas Pipeline Company Refund	\$ -	SGSS
TCO Modernization Refund- Settlement - Residential	\$ 0.00080	RSS/RDS
TCO Modernization Refund-Settlement - Non-Residential	\$ 0.00114	SGSS/SGDS/SCD/LGSS/MLSS
Price to Compare for Residential Gas Supply	\$ 0.47467	RSS
Price to Compare for Commercial Gas Supply	\$ 0.46987	SGSS (< = 64,400 thms)
State Tax Adjustment Surcharge Percentage	0.00000%	Customer and Distribution Charges on all rates
Rate SS - Standby Service	\$ 0.76539	Per therm based on a customer's Maximum Daily Firm Requirement. See Pages 134 - 136 herein for detail.

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Columbia Gas of Pennsylvania, Inc.

Rider Summary

Riders	Rate	Applicable Rate Schedules
Customer Choice - Rider CC	\$ 0.00010 /thm	RSS/RDS/SGSS/SGDS/SCD/DGDS
Universal Service Plan - Rider USP	\$ 0.09778 /thm	RSS/RDS
Distribution System Improvement Charge - Rider DSIC	0.00000%	This percentage is applied to a portion of the Distribution Charge and the Customer Charge. See Pages 177-180 for Rider DSIC details.
Elective Balancing Service - Rider EBS:		
Option 1 - Small Customer	\$ 0.01767 /thm	SGDS/SDS
Option 1 - Large Customer	\$ 0.00804 /thm	LDS/MLDS
Option 2 - Small Customer	\$ 0.00697 /thm	SGDS/SDS
Option 2 - Large Customer	\$ 0.00226 /thm	LDS/MLDS
Gas Procurement Charge - Rider GPC	\$ 0.00166 /thm	RSS/SGSS/LGSS/MLSS
Merchant Function Charge - Rider MFC	\$ 0.00676 /thm	RSS
Merchant Function Charge - Rider MFC	\$ 0.00196 /thm	SGSS
Purchased Gas Cost - Rider PGC	Pg. 21a & 21b	Rate Schedules specified on Page 21a & 21b
Choice Administration Charge	\$ 0.00499 /thm	RDS/SCD
Choice Administration Charge	\$ 13.67 /account per bill	SGDS/SDS/LDS/MLDS

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Columbia Gas of Pennsylvania, Inc.

Gas Supply Charge Summary				
Rate per thm				
<u>Rate Schedule</u>	<u>PGCC</u>	<u>Rider GPC</u>	<u>Rider MFC</u>	<u>Total Gas Supply Charge</u>
Rate CAP - Customer Assistance Plan	\$ -	-	-	-
Rate RSS - Residential Sales Service	\$ 0.44009	0.00166	0.00676	0.44851
Rate SGSS - Small General Sales Service	\$ 0.44009	0.00166	0.00196	0.44371
Rate LGSS - Large General Sales Service	\$ 0.44009	0.00166	-	0.44175
Rate MLSS Main Line Sales Service	\$ 0.44009	0.00166	-	0.44175

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Columbia Gas of Pennsylvania, Inc.

Rate Schedule	Pass-through Charge Summary							
	PGDC	PGDC "E" Factor	Capacity Assignment Factor	Pipeline Refund	Rider CC	Rider CAC	Rider USP	Total Pass-through Charge
Rate CAP - Customer Assistance Plan	\$ 0.12657	(0.02454)	(0.02937)	0.00080	-	-	-	0.07346
Rate RSS - Residential Sales Service	\$ 0.12657	(0.02454)	-	0.00080	0.00010	-	0.09778	0.20071
Rate SGSS - Small General Sales Service	\$ 0.12657	(0.02454)	-	0.00114	0.00010	-	-	0.10327
Rate LGSS - Large General Sales Service	\$ 0.12657	(0.02454)	-	0.00114	-	-	-	0.10317
Rate MLSS Main Line Sales Service	\$ 0.12657	(0.02454)	-	0.00114	-	-	-	0.10317
Rate RDS - Residential Distribution Service	\$ 0.12657	(0.02454)	(0.02937)	0.00080	0.00010	0.00499	0.09778	0.17633
Rate SCD - Small Commercial Distribution (Choice)	\$ 0.12657	(0.02454)	(0.02937)	0.00114	0.00010	0.00499	-	0.07889
Rate SGDS - Small General Distribution Service								
Priority One (P1)	\$ 0.12657	(0.02454)	-	0.00114	0.00010	-	-	0.10327
Non-Priority One (NP1)	-	-	-	-	0.00010	-	-	0.00010
Rate SDS - Small Distribution Service	\$ -	-	-	-	-	-	-	-
Rate LDS - Large Distribution Service	\$ -	-	-	-	-	-	-	-
Rate MLDS - Main Line Distribution Service	\$ -	-	-	-	-	-	-	-

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Columbia Gas of Pennsylvania, Inc.

Price-to-Compare (PTC) Summary		Rate per thm					
Customer Class	PGCC	Gas Cost Adjustment	Capacity Assignment Factor	Rider GPC	Rider MFC	Total Price-to- Compare	
Residential	\$ 0.44009	(0.00321)	0.02937	0.00166	0.00676	0.47467	
Commercial < = 64,400 thm/year	\$ 0.44009	(0.00321)	0.02937	0.00166	0.00196	0.46987	

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**RULES AND REGULATIONS GOVERNING THE
DISTRIBUTION AND SALE OF GAS (Continued)**

4. Customer's Installations - Continued

4.14 Interference with Facilities

Without prior written notice to the Company, the customer shall not open, tamper or interfere with, in any manner, his service line or with any regulator or regulators or safety appliances installed in connection with service to him, irrespective of ownership thereof, except to see that same are kept in proper working order. Neither shall the customer increase or decrease the pressure of same without the written approval of the Company. Any customer action taken that may endanger the safety of a person or the integrity of the Company's delivery system will be grounds for immediate termination without notice as specified in the Termination of Service section of this tariff.

4.15 Customer's Responsibility

Customer assumes all responsibility for property owned by the customer on customer's side of the point of connection, as well as for the installation and appliances used in connection therewith, and will save Company harmless from and against all claims for injury or damage to persons or property occasioned by or in any way resulting from such service or the use thereof on customer's side of the point of connection.

5. Testing and Inspecting of Customer's Installations

5.1 Requirement

Prior to the introduction of gas service, the service line of the customer must be tested and inspected to ensure compliance with the Company's standards for gas piping on the customer's premises. Prior to the introduction of gas service, the house piping of the customer must be tested and inspected to ensure compliance with all applicable codes for house piping on the customer's premises.

5.2 Company's Right to Inspect Customer Service Lines

(C)

The Company shall have the right, but shall not be obliged, to inspect any new installation before service is introduced or at any later time, and reserves the right to reject any piping or appliances that is not in accordance with the Company's standard for gas piping on the customer's premises or any applicable codes. However, any such inspection, or failure to inspect, or to reject, shall not render the Company liable or responsible for any loss or damage, resulting from defects in the installation, piping, or appliances, or from violation of Company rules, or from accidents which may occur upon the premises of the customer.

5.3 Testing of Service Lines and House Piping

The customer's service line and house piping must be tested by the owner or his competent representative before service is rendered to a customer, or before service is resumed to a customer whose service line or house piping has been repaired, renewed, enlarged or changed in any manner. Such test is to be made in accordance with the Company's standards for gas piping on customer's premises and all applicable codes.

5.4 Defective Installation

The Company may refuse to connect if, in its judgment, the Customer's installation is defective, or unsatisfactory; it does not meet company standards; or if it fails to meet any applicable code.

(C) Indicates Change

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President

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**RULES AND REGULATIONS GOVERNING THE
DISTRIBUTION AND SALE OF GAS (Continued)**

8. Extensions

8.1 Service Connections

The Company will install the service line from its main to point of delivery, as defined in the Point of Delivery section of this tariff; provided, however;

- (a) In the territories formerly served under Tariff Gas--Pa. P.U.C. No. 6 and Tariff Gas--Pa. P.U.C. No. 7, the Company will install at its expense the service line from its main to a convenient point approximately one-hundred fifty (150) feet inside the customer's property line, absent any abnormal underground conditions or excessive permitting requirements. (See the description of Territory section of this tariff to identify territory formerly served under Tariff Gas--Pa. P.U.C. No. 6 and Tariff Gas--Pa. P.U.C. No. 7.) (C)
- (b) In rural areas, where service is not available directly from the Company, service may be provided from a transmission or production line. It is the sole discretion of the owner of the transmission or production line to allow service from their facilities to the customer. If connection is allowed, the Company's service connection will consist of a tap on the line and a service valve.

8.2 Capital Expenditure Policy

8.2.1 Residential Distribution Service

The Company, at its discretion, may extend its distribution mains up to a distance of one-hundred fifty (150) feet on any dedicated street or highway without cost to an applicant(s), absent any abnormal underground conditions or unusual permitting requirements. When abnormal underground conditions or unusual permitting requirements exist, as determined by the the Company, the applicant(s) will be required to pay a refundable cash deposit in an amount determined by the Company. (C)

The applicant(s) will be required to pay a cash deposit to the Company when it is necessary to extend the main line more than one-hundred fifty (150) feet per applicant. The cash deposit will be equal to the difference between the minimum capital investment required to serve the applicant(s)'s gas requirements, excluding the one-hundred fifty (150) foot main allotment per applicant, and the amount of capital that the Company can justify investing in the project, based on the anticipated gas requirements of the applicant(s). The minimum capital investment is the capital expenditure required to serve only the gas requirements requested by the particular applicant(s). (C)

The maximum allowable investment is the amount of capital expenditure which the estimated revenues generated from a proposed project would support and still provide the necessary return to the Company, taking into consideration the estimated additional annual quantities, rate schedule, cost of gas, operating and maintenance expense, interest and taxes. (C)

If the net present value of the project is greater than \$1,000 per applicant, the Company may, at its sole discretion, provide a contribution up to \$1,000 per applicant, to offset installation costs of gas piping incurred by the applicant(s). (C)

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RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

8. Extensions - Continued

8.2 Capital Expenditure Policy – Continued

8.2.2 Commercial and Industrial Distribution Service

The applicants will be required to provide a refundable cash deposit to the Company equal to the difference between the minimum capital investment required to serve the applicant's gas requirements and the amount of capital that the Company can justify investing in the project, based on the anticipated gas requirements of the applicant(s). Minimum capital investment is the capital expenditure required to serve only the gas requirements requested by the particular applicant(s).

- (a) Projects Where the Net Present Value of the Cash Flows, Using the Minimum Capital Investment, is Equal to or Greater than Zero.

Such projects are economically feasible provided that there are assurances that the applicant will use the projected quantities of gas for the minimum time period stated in the agreement. Such assurances may be provided in the form of a minimum use agreement, in which applicant contractually agrees to take delivery of certain minimum quantities of gas, and to pay the applicable distribution charges for such quantities, irrespective of applicant's actual consumption of gas. At the Company's sole discretion, a deposit may be required if the Company is not certain that the applicant will use the quantity of gas, as projected, for the entire Minimum Time Period. The maximum required deposit shall be no more than the minimum capital investment.

- (b) Projects Where the Net Present Value of the Cash Flows, Using the Minimum Capital Investment, is Less than Zero.

The Company shall require a refundable deposit in the amount that the net present value is below zero. For example, if the net present value of a project is -\$1,000, the Company shall require a \$1,000 refundable deposit. In addition, if there is uncertainty that the applicant will use the projected quantity of gas for the minimum time period stated in the agreement, the Company may, in its sole discretion, (1) require the Applicant to pay an additional refundable deposit, or (2) require the applicant to enter into a minimum use agreement, in which applicant contractually agrees to take delivery of certain minimum quantities of gas, and to pay the applicable distribution charges for such quantity, irrespective of applicant's actual consumption of gas. The additional refundable deposit, if required, shall be no more than the combined total of the Company's minimum capital investment and the net present value. For example, if the Company's minimum capital investment is \$10,000 and the net present value of the project is -\$1,000, the applicant shall be required to provide an additional \$9,000 deposit.

For purposes of subsection (a) and (b), above, the maximum allowable investment is the amount of capital expenditure which the estimated revenues generated from a proposed project would support and still provide the necessary return to the Company, taking into consideration the estimated additional annual quantity, rate schedule, cost of gas, operating and maintenance expense, interest and taxes.

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**RULES AND REGULATIONS GOVERNING THE
DISTRIBUTION AND SALE OF GAS (Continued)****21. Flexible Service Provisions**

(C)

21.1 Applicability

The Flexible Service Provisions are applicable when an Applicant, or an existing customer requesting an increase in usage, is located on a portion of the Company's system where capacity limitations exist, which would otherwise require the Company to reject the request for distribution service of total requirements on a year round basis, absent a significant financial contribution from the Applicant or Customer to increase the Company's main line capacity to serve the Applicant's or Customer's load.

21.2 Availability

Flexible Service Provisions will be available only to Applicants, or existing customers requesting an increase in usage whose usage will make them eligible for Rate Schedules DGDS, EGDS, EDS, LDS, LGSS, MLDS, MLSS, NCS, CDS, NGV, NSS, SDS, SDSS when:

- a. In its sole discretion, the Company determines that offering the Flexible Service Provisions will not be a detriment to its other Customers or the Company's system; and
- b. But for the Flexible Service Provisions the Applicant or eligible Customer would not take service from the Company; and
- c. The Customer enters into an agreement with the Company specifying the service limitations and any other terms necessary in defining the Flexible Service Provisions.

21.3 Agreement

The Company shall enter into an Agreement with an Applicant or an eligible Customer to provide limited natural gas distribution service to the Applicant's or Customer's facilities. The Agreement shall include the specific terms that will define those times and conditions when the Company shall not provide total requirements for distribution service to the Applicant or eligible Customer.

The Agreement may be terminated by the Company, at its sole discretion, if at any time during the term of the Agreement the Company upgrades its facilities and is able to accommodate the Customer's total requirements for distribution service. Should a Customer receiving service pursuant this provision subsequently request year round service, such a request will be treated as an application for new service under this Tariff.

21.4 Rate

The rates charged to Customers served under this provision shall be the rates specified or negotiated under the applicable rate schedule within this Tariff.

21.5 Service Limitations

In addition to the service limitations set forth in the Agreement, the Company retains all of its ability to issue Operational Orders and Emergency Curtailments as described in these Rules and Regulations Governing the Distribution and Sale of Gas and the Customer served under this Flexible Service Provision is subject to the associated penalties for non-compliance with said Operational Orders and Emergency Curtailments.

(C) Indicates Change

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RIDER USP – UNIVERSAL SERVICE PLAN

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

This Rider shall be applicable to all residential customers except customers in the Company's Customer Assistance Plan ("CAP").

CHARACTER OF RATE

This Rider has been established to recover costs related to the Company's Universal Service and Conservation Programs.

RATE

The Rider USP rate shall be included in the Pass-through Charges on the customer's bill for Rate Schedules RSS, and RDS. The Rider USP shall not be billed to customers being served on Rate CAP.

The rate information is detailed in the Rate Summary pages of this Tariff.

CALCULATION OF RATE

The Rider USP rate shall be calculated to recover costs for the following programs: Low Income Usage Reduction Program (LIURP); Customer Assistance Plan (CAP); the WarmWise® Audits and Rebates program; and the Emergency Repair Program (ERP). (C)

LIURP costs will be calculated based on the projected number of Level 1 income homes to be weatherized. WarmWise® Audits and Rebates program costs will be calculated on the projected number of Level 2 income homes provided with an energy audit, programmable thermostat and/or rebates.

CAP costs will be calculated to include the projected CAP Shortfall (the difference between the total calculated RSS bill excluding Rider CC and Rider USP and the CAP bill) based upon the current discounts at normalized annual quantities of the then-current CAP participants, the projected CAP Shortfall for projected customer additions to CAP during the period that the USP Rider rate will be in effect at the average discount of current CAP participants at normalized annual quantities, the projected CAP customer application and administration costs, the projected CAP pre-program arrearages to be forgiven and written off during the next 12 months, any changes, including programming changes, resulting from the CAP Plus design. (C)

If the Company is successful in obtaining a CAP gas supply aggregator as provided in Rate CAP-Customer Assistance Plan, then the shortfall will be adjusted to reflect the RDS rate plus the gas costs resulting from the aggregation service.

The costs shall be divided by the total annual projected throughput quantities of all residential non-CAP customers as established in the Company's most recent Purchased Gas Cost proceeding to determine the rate per thm for this Rider.

(C) Indicates Change

RIDER PGC - PURCHASED GAS COST (Continued)

DETERMINATION OF OVER/UNDERCOLLECTION OF GAS COSTS - Continued

- (b) The following amount shall be included as revenues recovered for gas commodity costs:
- (1) an amount determined by multiplying commodity sales quantities subject only to Rider PGC billed under the Rate RSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules, for the applicable over/undercollection period, times the PGCC component excluding the commodity E Factor; plus
 - (2) an amount determined by multiplying commodity sales quantities billed under Rate SGDS, Rate SDS, Rate LDS, Rate MLDS, and Rate SDSS rate schedules, times the index price of gas defined in the Consumption in Excess of Deliveries section of the Rules Applicable to Distribution Service.

Demand “E” Factor

In computing the experienced over/undercollection of purchased gas demand costs for a period defined by the Commission, the following procedure shall be used:

- (a) All experienced purchased gas demand costs actually incurred by the Company to service customers pursuant to all rate schedules of this tariff, excluding the cost of capacity acquired for the purpose of providing Full Balancing Service under Option 1 of the Elective Balancing Services Rider. Capacity acquired to provide Full Balancing Service under EBS Option 1 will include sufficient storage capacity for the aggregate of the maximum banks provided under this option, and sufficient storage withdrawal and transportation capacity to provide the firm balancing entitlements.
- (b) The following amount shall be included as revenues recovered for gas demand costs:
 - (1) an amount determined by multiplying Distribution quantities billed under this Rider for the Rate RSS, Rate CAP, Rate RDS, Rate SCD, Rate SGSS, Priority One Rate SGDS, Rate LGSS and MLSS rate schedules, for the applicable over/undercollection period, times the PGDC component excluding the demand E Factor; plus
 - (2) the amounts billed under Rate SS; plus
 - (3) the amounts billed distribution service customers under Rider EBS - Option 2.

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President

Effective:

RIDER MFC – MERCHANT FUNCTION CHARGE

APPLICABILITY

This Rider shall be applicable to residential customers taking service under Rate Schedules RSS, or CAP (unless an NGS is serving the CAP aggregation) and commercial or industrial customers taking service under Rate Schedule SGSS.

CHARACTER OF RATE

This Rider was established in compliance with the Pennsylvania Public Utility Commission's Revised Final Rulemaking Order dated June 23, 2011 in Docket No. L-2008-2069114 and is addressed in the PA Code Title 52, § 62.223.

The Merchant Function Charge reflects the cost of uncollectibles associated with natural gas costs billed to applicable customers by the Company.

RATE

The MFC is a component of the Price-to-Compare calculation as described in the Definitions section of this tariff.

The uncollectible expense ratios as specified below and determined in the most recent base rate case are used in the calculation of the MFC rate:

Residential uncollectible expense ratio	1.54%	(I)
Non-residential uncollectible expense ratio	0.44567%	(D)

The current MFC rates may be found in the Rate Summary pages of this Tariff.

CALCULATION OF RATE

The Rider MFC rate is calculated as follows:

MFC = PGCC x the uncollectible expense ratio

where:

PGCC is the current Purchased Gas Commodity Cost as detailed in the Purchased Gas Cost Rider of this tariff.

(C) Indicates Change (D) Indicates Decrease (I) Indicates Increase

RIDER EBS – ELECTIVE BALANCING SERVICES (Continued)

Option 1: FULL BALANCING SERVICE - CHARACTER OF SERVICE (Continued)

During SFOs/OFOs/OMOs - Continued

During periods when there is an SFO, OFO or OMO restriction of GDS over-deliveries, Shippers will be entitled to deliver to the Company up to one hundred two and one-half percent (102.5%) of the Company's maximum prescribed daily SFO, OFO or OMO quantity. However, should daily deliveries exceed one hundred two and one-half percent (102.5%) of the customer's maximum daily prescribed SFO, OFO, or OMO quantity, or if the cumulative excess deliveries exceed the bank tolerances described above, those excess daily deliveries shall be considered imbalance gas purchased by the Company pursuant to the Deliveries in Excess of Consumption or the Seasonal Flow Order paragraphs in the Rules Applicable Only to General Distribution Service section of the RADS and the Customer Proxy shall be charged in accordance with the Seasonal Flow Order, Operational Flow Order or Operational Matching Order paragraphs in the Rules Applicable Only to General Distribution Service section of the RADS.

Option 1: IMBALANCE TRADING SERVICES

A) Bank Balance Transfers

During Normal Operations, subject to the Limitations of Distribution Service in the Rules Applicable to All Distribution Service section of the RADS, Customer Proxies who subscribe to Rider EBS-Option 1 may transfer a bank balance that existed at the beginning of the month to another Customer Proxy that has also subscribed to Rider EBS-Option 1 and that also schedules deliveries to the Company's city-gates within the same Pipeline Scheduling Point. No pre-arranged contract is required. The Customer Proxy must submit all requests for Bank Balance Transfers to the Company in writing (e.g. fax, e-mail, electronic bulletin board) no later than the third business day following the last business day of the calendar month in which the trade is to apply. A fee of \$0.07 per Dth for each Dth transferred between Columbia Pipeline Scheduling Point shall be charged to the Customer Proxy transferring the bank balance. A fee of \$.07/Dth, with a cap of \$500 per trade, for transfers within a Pipeline Scheduling Point shall be charged to the Customer Proxy transferring the bank balance. EBS-Option 1 Customer Proxies who successfully transfer bank balances to eliminate an imbalance will not be subject to the Consumption in Excess of Deliveries or Deliveries in Excess of Consumption paragraphs in the Rules Applicable Only to General Distribution Service section of the RADS. (C)

During any month in which an SFO, OFO, or OMO was in effect, Customer Proxies who subscribe to Rider EBS-Option 1 may transfer a bank balance that existed at the beginning of the month to another Customer Proxy whose customer is located in the same Pipeline Scheduling Point that has also subscribed to Rider EBS-Option 1 and that schedules deliveries to the Company's city-gates on the same transmission company. Provided, however, that bank balance transfers will apply to the SFO, OFO, or OMO period only up to the level of daily access to banked quantities authorized by the OFO, OMO, or SFO. No pre-arranged contract is required. The Customer Proxy must submit all requests for Bank Balance Transfers to the Company in writing (e.g. fax, e-mail, electronic bulletin board) no later than the first business day following the last business day of the calendar month in which the trade is to apply. A fee of \$0.07 per Dth, with a cap of \$500 per trade, for transfers within a Pipeline Scheduling Point shall be charged to the Customer Proxy transferring the bank balance. EBS –Option 1 Customer Proxies who successfully transfer bank balances to eliminate an imbalance will not be subject to the Seasonal Flow Orders, Operational Flow Orders, Operational Matching Orders, Consumption in Excess of Deliveries and Deliveries in Excess of Consumption paragraphs in the Rules Applicable Only to General Distribution Service section of the RADS.

(C) Indicates Change

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President

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3.7.4 When a difference between the Daily OFO Level and actual daily OFO compliance quantities delivered to the Company exists, the following charges will be assessed to the Customer Proxy:

- (1) Two dollars and eight cents (\$2.08) per thm on the difference, except however, the \$2.08 will not be assessed if the difference results from the Shipper delivering more than the Daily OFO Level during an OFO that restricts under-deliveries, or from the Shipper delivering less than the Daily OFO Level during an OFO that restricts over-deliveries; and, (C)
- (2) The payment of all other charges incurred by the Company on the date of the OFO that results from the Shipper's failure to comply with the OFO, including a proportionate share of any pipeline penalties that are incurred by the Company.

3.8 OPERATIONAL MATCHING ORDERS (OMOs)

- 3.8.1 An OMO is a demand for specific actions on the part of Shippers that are serving Customers with daily measuring devices. All Customers with daily measuring devices, except as specified in the Operational Matching Order section in Paragraph 3 of the RADs, are subject to the Company's issuance of OMOs.
- 3.8.2 Customers that presently have daily measurement through a charted meter, but not an electronic meter, shall have the option of choosing to be governed by Operational Flow Orders as specified in this Paragraph 3 of the RADs. Customers will be able to exercise this option no more than one time each calendar year by notifying the Company in writing prior to November 1st of each year. Once an election is made, the customer's option will remain in effect until changed.
- 3.8.3 An OMO will be issued, to the extent possible, with a minimum of eight (8) hours notice to the affected parties. Notice shall be made by the medium most reasonably expected to reach the Customer Proxy with as much notice as reasonably expected to reach the Customer Proxy in a timely manner, including but not limited to: e-mail, facsimile, or Nomination EBB. The notice will include the circumstance that warrant the issuance of the OMO and explain why the actions required are necessary. The notice will be provided via e-mail to the PA PUC.
- 3.8.4 The Company shall have the authority to direct Customer Proxies to adjust Customer's daily consumption or daily scheduled deliveries (Daily OMO Level) in order that daily scheduled deliveries match Customer's consumption. In order to comply with the OMO, the Shipper may use gas quantities which are: 1) scheduled and delivered on that day to the Company in the same Pipeline Scheduling Point in which the Shipper's customer(s)'s facilities are located; 2) contracted for under Rate SS – Standby Service; 3) available pursuant to the Rider EBS-Option 1; or 4) additional quantities that may be made available to the Shipper by the Company at its sole discretion including quantities delivered in accordance with the Limitation for Failure of Shipper to Provide Gas to the Company in Customer's Local Market Area section in Paragraph 2 of the RADs.

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3.8.5 When a difference exists between the Daily OMO Level and actual daily OMO compliance quantities delivered, the following charges will be assessed:

- (1) Two dollars and eight cents (\$2.08) per thm on the difference, except however, the \$2.08 will not be assessed if the difference results from the Shipper delivering more than the Daily OMO Level during an OMO that restricts under-deliveries, or from the Shipper delivering less than the Daily OMO Level during an OMO that restricts over-deliveries; and (C)
- (2) Payment of all other charges incurred by the Company on the date of the OMO that result from the Shipper's failure to comply with the OMO, including a proportionate share of any pipeline penalties that are incurred by the Company.

3.9 LIMITATIONS ON NOMINATIONS

3.9.1 A Shipper shall not submit a daily gas supply nomination in excess of one hundred percent (100%) of the Customer's maximum daily quantity except with the Company's prior permission. The Company may reject a nomination to the extent it exceeds one hundred percent (100%) of a Customer's maximum daily quantity and confirm it at a level equal to the limit if the Shipper did not receive the Company's prior permission.

3.10 LIMITATIONS UPON EXCESS DELIVERIES

3.10.1 The Company reserves the right to limit its receipt of deliveries which are in excess of a Customer's consumption of gas for redelivery to a Customer on any given day ("Excess Deliveries") when such Excess Deliveries may cause the Company to incur penalties for exceeding its allowed daily or total Storage injection capacity of its supplying pipeline or other costs incurred to avoid or mitigate pipeline penalties. The level of the limitation shall be specified electronically by the Company to the Customer Proxy. The Company shall bill a proportionate share of the penalties and other costs that were incurred to avoid or mitigate pipeline penalties to all Customer Proxies whose Shipper fails to comply with the Company's limitation under this Paragraph.

3.11 CONSUMPTION IN EXCESS OF DELIVERIES (UNDER-DELIVERIES) (C)

3.11.1 If, in any billing cycle, the Customer's consumption, plus retainage on the distribution system is greater than the sum of: (a) the quantity of gas delivered to the Company's City Gate by the Shipper for the Customer's account during the billing cycle; plus (b) if the Customer Proxy subscribes to EBS-Option 1, access to banked gas quantities as permitted under EBS-Option 1; plus (c) bank transfers performed for that cycle, then such use shall be considered imbalance gas sold by the Company to the Customer Proxy.

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- 3.11.2 For Customer Proxies electing Rider EBS-Option 1 or Rider EBS-Option 2, the price for such imbalance gas shall be sold by the Company at the higher of: (C)
- i. a price equal to 120% of the average of the Daily Index prices for each day of the applicable month as reported in the Platts Gas Daily publication, in the Daily price survey section under the heading "Appalachia" for "Columbia Gas, App." Midpoint, plus the 100% load factor TCO FTS costs (including demand, commodity and retainage); or (C)
 - ii. the highest commodity cost of purchases by the Company during the calendar month, including the delivered cost of purchases at the city gate, if any, excluding any purchases under fixed price commodity contracts for which the price was determined more than thirty days before the beginning of the calendar month. (C)
- In addition, applicable taxes and Company transportation shall apply. Furthermore, if, in any month, Company incurs other charges, including gas costs, penalty charges or cash-outs caused by excess monthly under deliveries, the customer or NGS shall be charged its pro rata share of such charges. (C)
- During an SFO, the foregoing calculation shall be replaced by the table in the Seasonal Flow Order section in Paragraph 3 of the RADS. (C)
- 3.11.3 The Customer Proxy also shall be subject to any applicable penalty under the Operational Flow Order or Operational Matching Order sections of Paragraph 3 of these RADS in the event that such purchases occur during the existence of an OFO or OMO condition. (C)
- 3.11.4 The Customer Proxy has no right to make purchases pursuant to this provision, and all such sales are considered interruptible sales except to the extent that the Customer has contracted for Standby Service. (C)
- 3.11.5 The purchase of imbalance gas pursuant to this Paragraph shall not relieve the Customer Proxy of any applicable penalty resulting from the use of those quantities. (C)

(C) Indicates Change

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President

Effective:

- 3.12 DELIVERIES IN EXCESS OF CONSUMPTION (OVER-DELIVERIES)** (C)
- 3.12.1 If, in any billing cycle, the Customer's consumption, plus retainage on the distribution system is less than the sum of: (a) the quantity of gas delivered to the Company's City Gate by the Shipper for the Customer's account during the billing cycle, minus (b) if the Customer Proxy subscribes to Rider EBS-Option 1, increases in the Customer Proxy's positive bank as permitted under EBS-Option 1, plus (c) bank transfers performed for the billing cycle, then such deliveries shall be considered imbalance gas purchased by the Company from the Customer Proxy.
- 3.12.2 For Customer Proxies electing Rider EBS-Option 1 or Rider EBS-Option 2, the price of such imbalance gas shall be purchased by the Company at the lower of: (C)
- i. a price equal to 80% of the average of the Daily Index prices for each day of the applicable month as reported in the Platts Gas Daily publication, in the Daily price survey section under the heading "Appalachia" for "Columbia Gas, App." Midpoint; or (C)
 - ii. the lowest commodity cost of purchases by the Company during the calendar month, including the delivered cost of purchases at the City Gate, if any, excluding any purchases under fixed price commodity contracts for which the prices was determined more than thirty (30) days before the beginning of the calendar month. (C)
- In addition, if, in any month the Company incurs other charges, including gas costs, penalty charges or cash-outs caused by excess monthly over deliveries, the Customer or NGS shall be charged its pro rata share of such charges. (C)
- During an SFO, the foregoing calculation shall be replaced by the table in the Seasonal Flow Order section in this Paragraph 3 of the RADS. (C)
- 3.12.3 The Customer Proxy also shall be subject to any applicable penalty under the Operational Flow Order and Operational Matching Order sections in this Paragraph 3 of the RADS in the event that such sale occurs during the existence of an OFO or OMO condition. (C)
- 3.12.4 The purchase of imbalance gas pursuant to this Paragraph shall not relieve the Customer Proxy of any applicable penalty resulting from the delivery of those quantities. (C)

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

3.15.1 Conditions:

- 3.15.1.1 Any NGS electing Aggregation service must sign an Aggregation service agreement.
- 3.15.1.2 Aggregation Agents will be allowed to establish one or more Aggregation Nomination Groups. Customers in an Aggregation Nomination Group must be located within the same Company Local Market Area and the same Pipeline Scheduling Point. Aggregation Agents must provide written notice to the Company that a Customer has elected to be in an Aggregation Nomination Group. The written notice must include the name of the Customer and the Customer's account number. Aggregation Nomination Groups must be comprised solely of General Distribution Service Customers.
- 3.15.1.3 The Aggregation Agent shall use its best efforts to achieve a balance between its deliveries and its Aggregation Nomination Group's total usage both on a daily and monthly basis, for each Aggregation Nomination Group. The Company reserves the right: (1) to require an Aggregation Agent to balance deliveries and takes of gas; or (2) to require a reasonably uniform daily delivery rate of gas which, at month's end, will equal the Aggregation Nomination Group's requirements for each Aggregation Nomination Group.
- 3.15.1.4 Aggregation Nomination Groups may include Customers taking service under any GDS rate schedule. Each Aggregation Nomination Group must contain only Customers that have elected the same option under Rider EBS. (C)
- 3.15.1.5 An Aggregation Agent shall supply its Aggregation Nomination Group's full service requirements for natural gas. The Aggregation Agent accepts supply co-management responsibility as defined hereinafter.
- 3.15.1.6 Supply Co-Management Defined. The Aggregation Agent agrees to deliver gas supplies into the Company's designated City Gate receipt points on a daily basis, in accordance with the aggregate usage requirements of all those Customers that comprise the Aggregation Agent's Aggregation Nomination Group. For those General Distribution Service Customers which are members of Aggregation Agent's Aggregations Nomination Group without daily measurement, the Aggregation Agent agrees to the Company's estimate of takes and the Aggregation Agent agrees to pay all charges assessed by the Company as provided in the OFO paragraph of the Rules Applicable to Distribution Service.
- 3.15.1.7 The Aggregation Agent shall also be required to balance its gas deliveries into the Company's system with the estimated overall usage levels of each individual Aggregation Nomination Group, in accordance with the provisions of Rider EBS.

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- 4.10.1.2 The Company may retain, renew or replace the interstate pipeline capacity on the interstate pipeline other than Columbia Gas Transmission and require NGSs under this Schedule, if authorized by FERC rules or orders, to deliver a portion of supplies required by this Schedule into such capacity with such proportion determined as in Paragraph 4.10.1.1, or
- 4.10.1.3 The Company may make a payment to one or more NGSs to accept assignment of such capacity and use such capacity to meet the requirements of Customers. Such payment shall be recoverable by the Company from Customers. To the extent that such payment does not increase sales rates over levels which would be charged if the Company retained such capacity, it shall be recovered under the Purchased Gas Cost Rider from sales Customers and Customers subject to this Schedule. Any excess over such amount shall be recoverable under Rider CC.
- 4.10.2 The "Calculation of Demand Cost for Customers Electing Choice Service" provisions of the Purchased Gas Cost Rider shall be deemed modified to the extent necessary consistent with the Company's implementation of one of the foregoing procedures.
- 4.10.3 In the event an OFO limits deliveries to the Company via FTS capacity below the level of any capacity assigned, the unused FTS capacity may be reassigned by the assignee for the duration of the OFO event. The NGS shall be required, prior to the end of the year for which the capacity was assigned, to deliver additional quantities via ITS equal to the quantities not delivered via FTS capacity during the OFO event.

4.11 OPERATIONAL FLOW ORDERS (OFOs)

- 4.11.1 All Choice NGSs are subject to the Company's issuance of OFOs. The Company will have the authority to direct NGSs to adjust daily scheduled quantities to a specified level. Generally, during peak design day conditions, this specified level will be equal to the Choice Daily Delivery Requirement. Should conditions be greater or less than peak design day conditions, the specified level of the OFO may be greater or less than the Choice Daily Delivery Requirement.
- 4.11.2 When a difference between the daily OFO quantity and actual daily scheduled deliveries to the Company exist, the following charges will be assessed:
- (1) Four dollars and sixteen cents (\$4.16) per thm on the difference; and, (C)
 - (2) The payment of all other charges incurred by the Company on the date of the OFO that results from the NGS's failure to comply with the OFO including a proportionate share of any pipeline penalties that are incurred by the Company.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

4.12 RATES

- 4.12.1 Customers served under Rate Schedules RDS and SCD will be billed all applicable charges under the rate schedule. The Customer, or Customer's NGS, shall pay directly to the interstate pipelines the charges for any assigned pipeline capacity.
- 4.12.2 For NGSs providing service under these Rules Applicable to Distribution Service, the following fees shall be assessed to the NGS:
- NGS One-time Application Fee: \$390.00
- 4.12.3 In addition the following billing fees will apply:
- Billed Account Adjustments: \$1,000.00 processing fee per adjustment plus;
\$ 1.00 per adjusted account
- 4.12.4 Delivered Quantities. All quantities billed to Customers under these Rules Applicable to Distribution Service shall be considered actual quantities delivered, whether the meter reading is an actual or a calculated reading.
- 4.12.5 In recognition of the fact that the NGS is required to deliver the Choice Daily Delivery Requirement for each of its Choice Aggregation Nomination Groups, failure to deliver the Choice Daily Delivery Requirement for any Choice Aggregation Nomination Group shall subject the NGS to a charge on the difference between the Choice Daily Delivery Requirement and the actual daily deliveries. The Operational Flow Orders paragraph included in these Rules Applicable Only to Choice Service specifies the charge for days in which an SFO, OFO or OMO is in effect. For days in which an SFO, OFO or OMO is not in effect the charge will be two dollars and eight cents (\$2.08) per thm. In addition the NGS will be responsible for the payment of all other charges or costs incurred by the Company that result from the NGS's failure to deliver as required, including a proportionate share of any pipeline penalties incurred by the Company. In addition, the NGS will be required to deliver the remaining portion of its Choice Aggregation Nomination Group's estimated normalized usage via ITS in the summer months defined as April through October, unless the Company authorizes a lower or higher level of deliveries via ITS.

(C)

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

Appendix D

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos. R-2015-2468056
Office of Consumer Advocate	:	C-2015-2473682
Office of Small Business Advocate	:	C-2015-2477816
Pennsylvania State University	:	C-2015-2476623
Columbia Industrial Intervenors	:	C-2015-2477120
G. Thomas Smeltzer	:	C-2015-2482395
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc.	:	
	:	

**STATEMENT OF COLUMBIA GAS OF PENNSYLVANIA, INC.
IN SUPPORT OF THE JOINT PETITION FOR PARTIAL SETTLEMENT**

TO ADMINISTRATIVE LAW JUDGE MARY D. LONG:

I. INTRODUCTION

Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”) hereby submits this Statement in Support of the Joint Petition for Partial Settlement (“Settlement”) entered into by Columbia, the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Columbia Industrial Intervenors (“CII”), Dominion Retail, Inc. (“Dominion”), Shipley Energy Company (“Shipley”), Interstate Gas Supply, Inc. (“IGS”),¹ the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”) and the Retail Energy Supply Association (“RESA”) (hereinafter collectively referred to as the “Joint Petitioners” or “Parties”),² parties to the above-captioned proceedings. Columbia respectfully requests that Administrative Law Judge Mary D. Long (the

¹ Dominion, Shipley and IGS will be referred to collectively as the “NGS Parties”.

² The Pennsylvania State University (“PSU”), an active party in this proceeding, has indicated that it does not oppose the Settlement.

“ALJ”) recommend approval of, and the Commission approve, the Settlement, including the terms and conditions thereof, without modification.

The Settlement, if approved, will resolve all but one issue raised by the Joint Petitioners in this proceeding.³ The settled issues include revenue requirement, revenue allocation, rate design, universal service matters, programs to expand the availability of gas service, natural gas supplier issues and other issues. The issue reserved for litigation is whether Columbia should end immediately its recovery of \$375,000 through its Rider Universal Service Program (“Rider USP”) that is used as part of the funding of its Hardship Fund. The Settlement is in the best interest of Columbia, its customers, and the Joint Petitioners, and is in the public interest. Accordingly, it should be approved.

The Settlement was achieved only after a comprehensive investigation of Columbia’s claims and operations. In addition to informal discovery, Columbia responded to over 470 formal discovery requests (many of which had multiple subparts). The active parties filed multiple rounds of testimony and accompanying exhibits, including Columbia’s direct, rebuttal, surrebuttal and rejoinder testimony, and other parties’ direct, rebuttal and surrebuttal testimony. Moreover, the active parties participated in numerous settlement discussions and formal negotiations, which ultimately led to the Settlement.

Finally, the active parties in this proceeding, and their counsel and experts, have considerable experience in rate proceedings. Their knowledge, experience, and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong foundation upon which to build a consensus on the settled issues. All of the active

³ In addition, by a separate settlement between Columbia and The Pennsylvania State University (“PSU”), service issues related to abandonment of a portion of Columbia’s Snowshoe Lateral and the abandonment of service to certain customers are being separated from the base rate proceeding and consolidated with an application for a certificate of public convenience to be filed by Columbia.

parties to this proceeding, with the exception of RESA, were active parties in Columbia's last base rate proceeding, and were therefore familiar with many of the issues that are addressed in this case.

The Settlement reflects a carefully balanced compromise of the interests of the Joint Petitioners to this proceeding. For these reasons and the reasons set forth below, the Settlement is just and reasonable and should be approved.

II. SPECIFIC SETTLEMENT TERMS

A. REVENUE REQUIREMENT

The Settlement provides for rates to be designed to produce an increase in operating revenues of \$28 million based upon a residential throughput level of 34,500,000 Dth and throughput levels for all other classes as proposed by the Company for the twelve months ended December 31, 2016. (Settlement ¶ 47.) The \$28 million increase in tariff rates will go into effect on December 18, 2015, which is the effective date of rates under the Commission's April 9, 2015 suspension order. (Settlement ¶ 57.) The Settlement increase is approximately 60% of Columbia's original request of \$46.2 million. (Columbia Exhibit 102, Sch. 3, p. 3.) The \$28 million increase, although less than that requested by the Company, will enable the Company to continue to provide safe and reliable service to its customers.

As explained by Mark R. Kempic, President of Columbia, one primary reason in support of the revenue increase is to provide the Company with an opportunity to earn a return on the significant capital investments made to its distribution system. (Columbia Statement No. 1, pp. 5-7.) Columbia has made, and continues to make, unprecedented and substantial capital investments in its system. (Columbia Statement No. 1, pp. 6-9.) Indeed, since Columbia started its accelerated pipeline replacement program in 2007,

Columbia has replaced nearly 647 miles of cast iron and bare steel (“CIBS”) pipe. (Columbia Statement No. 1, p. 8.) In 2014 alone, Columbia replaced over 78 miles of CIBS pipe. (Columbia Statement No. 1, p. 8.) Columbia plans to maintain or increase its capital expenditures in the 2014 to 2018 timeframe, with a planned spending program ranging between \$145 and \$170 million budgeted annually for line replacement over the 5-year period. (Columbia Statement No. 15, p. 17; Standard Data request GAS-ROR-014.) As detailed in the direct testimony of Columbia witness Michael J. Davidson, Columbia’s capital budgets for age and condition replacement of CIBS are \$148 million in 2014, \$145 million in 2015 and \$147 million in 2016. (Columbia Statement No. 15, pp. 17-18.)

In addition to capital costs associated with Columbia’s accelerated pipeline replacement effort, the Company is incurring operating and maintenance costs associated with enhancing pipeline safety on its system. These costs further contribute to the level of the revenue increase in this case. (Columbia Statement No. 15, pp. 32-44.) These initiatives include: a formal employee training and qualification program to address the DIMP and system risks associated with human error in the field; construction and operation of a new training center that will provide the facilities needed to conduct classroom and enhanced hands on employee training; the addition of four frontline leader positions to manage the current and anticipated entry of new employees to the Company’s workforce; the addition of four damage prevention coordinators; and a program to address the risk of field assembled riser failures. (Columbia Statement No. 15, pp. 32-37.)

In order to provide ongoing information concerning Columbia’s capital investments, Columbia has agreed that on or before April 1, 2016, it will provide the

Commission's Bureau of Technical Utility Services ("TUS"), I&E, OCA and OSBA with an update to Columbia Exhibit No. 108, Schedule 1, which will include actual capital expenditures, plant additions, and retirements by month for the twelve months ending December 31, 2015. (Settlement ¶ 55.) On or before April 1, 2017, Columbia will update Exhibit No. 108, Schedule 1 for the twelve months ending December 31, 2016. (Settlement ¶ 55.) Also, as part of the Company's next base rate proceeding, the Company will prepare a comparison of its actual revenue, expenses and rate base additions for the twelve months ended December 31, 2016. (Settlement ¶ 55.) However, and as described more fully below, it is recognized by the Joint Petitioners that this is a black box settlement that is a compromise of Joint Petitioners' positions on various issues.

In this proceeding, Columbia, I&E and OCA presented testimony on Columbia's overall revenue requirement and related issues.⁴ The Settlement revenue increase of \$28 million reflects a reasonable compromise of Joint Petitioners' positions in this proceeding. The amount of the increase falls within the range of outcomes bounded by Columbia's proposed increase and the revenue requirements contained in the direct testimonies of I&E and OCA. Columbia notes that in its rebuttal testimony, it took issue with virtually all of the proposed adjustments advanced by I&E and OCA. The Joint Petitioners, while supporting their revenue requirement positions for litigation purposes, recognized that the Commission likely would have accepted certain adjustments proposed by Joint Petitioners, but would not have accepted all of the adjustments.

⁴ PSU also presented testimony on Columbia's requested revenue increase; however, it did not make a specific recommendation as to the amount of increase that should be allowed. (PSU St. No. 1, pp. 5-7.)

Under the Settlement, with only a few select exceptions further explained herein, the settlement revenue requirement is a “black box” amount. Under a “black box” settlement, parties do not specifically identify revenues, expenses and return that are allowed or disallowed. Columbia believes that “black box” settlements facilitate agreements, as parties are not required to identify a specific return on equity or identify specific revenues and/or expenses that are allowed or disallowed.

Given the entire Settlement, Columbia believes that the revenue requirement is reasonable and will provide the Company with the additional revenues that are necessary to provide reliable service to customers. In addition, Columbia believes that the Settlement appropriately balances the need of the Company to have an opportunity to earn a reasonable rate of return with its customers’ need for reasonable rates. Finally, Columbia notes that the Commission’s resolution of the issue reserved for litigation does not affect or otherwise alter the agreed upon revenue requirement amount identified in the Settlement. This is because the reserved issue concerns recovery of certain costs in Rider Universal Service Program (“Rider USP”) and does not affect base rates.

1. Distribution System Improvement Charge (“DSIC”)

The Commission approved Columbia’s DSIC by Order entered May 22, 2014, at Docket No. P-2012-2338282. With the DSIC, plant additions not included in base rates may be reflected in the DSIC calculation. Therefore, for future DSIC purposes, it is necessary to establish relevant plant balances for the Company out of this proceeding. The Settlement provides that following the effective date of rates in this proceeding, Columbia will be eligible to include plant additions in the DSIC once eligible account balances exceed the levels projected by Columbia at December 31, 2016. (Settlement ¶ 48.) The Joint Petitioners agree that this provision is included solely for purposes of

calculating the DSIC, and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a fully-projected future test year filing. (Settlement ¶ 48.)

The Partial Settlement also provides that, for purposes of calculating its DSIC, Columbia shall use the equity return rate for gas utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1). (Settlement ¶ 49.)⁵

2. Tax Repair Allowance and Mixed Service Cost Normalization Treatment

In 2008, Columbia sought and obtained permission from the Internal Revenue Service to change its definition of "unit of property" for tax purposes. This enabled Columbia to deduct certain expenditures on its tax return rather than capitalize them and resulted in a tax refund of \$37,487,634 for Columbia's customers. As agreed in the settlement of Columbia's 2010 rate case at Docket No. R-2009-2149262, a refund of the \$37,487,634 is being made to customers, which reflects the cash benefit received in 2009 for the tax year 2008 method change. (Columbia Statement No. 10, p. 4.) The remaining unamortized balance of the tax refund is projected to be \$681,571 at December 31, 2015. (Columbia Statement No. 10, p. 4.) Columbia proposed a one-year amortization of this remaining balance, and no party opposed the amortization.

⁵ In the Order entered December 10, 2014, approving the settlement in Columbia's 2014 base rate proceeding at Docket No. R-2014-2406274, the Commission stated that base rate settlements must stipulate a Return on Equity ("ROE") for DSIC purposes. (Order at p. 15.) The Commission noted that one option is to stipulate that the ROE for DSIC purposes will track the equity return rate from the most recent Commission staff Quarterly Report.

Under the Settlement, Columbia will continue to use normalization accounting with respect to the benefits of the tax repairs deduction. In addition, with regard to the \$37.4 million tax refund previously received by Columbia that is attributable to the change in method for the repairs deduction, commencing with the effective date of rates in this proceeding, the remaining amount of \$681,571 shall be amortized over 12 months commencing January 1, 2016. (Settlement ¶ 50.) Consistent with prior settlements, the amortization will be without interest and without a deduction of the unamortized balance from rate base. The Settlement also continues prior agreements that subsequent changes in the refund amount, above or below the \$37.4 million, shall be reflected in accumulated deferred income taxes to be created under the normalization method of accounting. (Settlement ¶ 50.) It is anticipated this will be the final year of this amortization. As this provision continues the previously approved rate treatment of this refund, it is in the public interest and should be approved.

The Joint Petitioners have also agreed that Columbia will continue to use normalization accounting with respect to the tax treatment of Internal Revenue Code Section 263A mixed service costs (“MSC”). (Settlement ¶ 51.) This is similar to the treatment of book versus tax time differences for the repairs deduction. (Columbia Statement No. 10, p. 4.) This treatment was established in the settlement of Columbia’s 2012 rate case at Docket No. R-2012-2321748, and was unopposed in this proceeding. The Parties have agreed that such treatment will continue.

3. Amortizations

The Settlement in Columbia's 2012 rate case established an amortization for non-labor costs associated with the NiSource NiFiT project.⁶ Per the Settlement approved at Docket No. R-2012-2321748, Columbia was allowed amortization recovery of the then-estimated non-labor NiFit expenses over a four year period. (Columbia Statement No. 4, p. 23.) Columbia calculated its remaining unamortized balance at December 31, 2015, reflecting actual data through December 31, 2014 and projected amortizations through December 31, 2015. The remaining unamortized balance at December 31, 2015 is projected to be \$1,260,764. (Columbia Statement No. 4, p. 43.) Columbia proposed a three-year amortization of this balance. (Columbia Statement No. 4, p. 43.) No party opposed this amortization. The Settlement in this case includes amortization of \$1,260,764 for NiFit costs over a three-year period commencing with the effective date of rates in this proceeding. (Settlement ¶ 52(i).)

The Settlement specifies the continued amortization of costs related to Blackhawk Storage. This amortization was established in Columbia's 2008 rate case settlement at Docket No. R-2008-2011621 and will continue. (Settlement ¶ 52(ii).) No party objected to the Company's inclusion of this amortization amount in its rate filing.

As noted in the preceding section of this Statement in Support, Columbia is currently amortizing a \$37.4 million tax refund received as a result of the tax repair allowance change. The Joint Petitioners have agreed to amortize the remaining refund in the amount of \$681,571 over twelve months commencing on January 1, 2016. (Settlement ¶ 52(iii).)

⁶ NiFiT is a project designed to upgrade financial processes and information systems across all of the NiSource companies, including Columbia.

These three amortizations are continuations of previously approved amortizations, and were unopposed by any party. The amortizations are in the public interest and should be approved.

4. Other Post-Employment Benefits (“OPEB”) Expense

The Settlement includes provisions concerning accounting for Columbia’s ongoing contributions to trusts for OPEBs which were established in the settlement of Columbia’s 2012 base rate case at Docket No. R-2012-2321748. (Columbia Statement No. 4, pp. 37-38.) These provisions were unopposed by any party, and are in the public interest as they confirm the ongoing treatment of OPEB expense. Columbia will continue to defer the difference between the annual OPEB expense calculated pursuant to FASB Accounting Standards Codification (“ASC”) 715, “Compensation – Retirement Benefits” (SFAS No. 106) and the annual OPEB expense allowance in rates of \$0. Only those amounts attributable to operation and maintenance would be deferred and recognized as a regulatory asset or liability. To the extent the cumulative balance recorded commencing with the effective date of rates reflects a regulatory asset, such amount will be collected from customers in the next rate proceeding over a period to be determined in that rate proceeding. In addition, to the extent the cumulative balance recorded commencing with the effective date of rates reflects a regulatory liability, there will be no amortization of the (non-cash) negative expense, and the cumulative balance will continue to be maintained. (Settlement ¶ 53.) The Settlement provides that Columbia will deposit amounts in the OPEB trusts when the cumulative gross annual accruals calculated by its actuary pursuant to ASC 715 are greater than \$0. If annual amounts deposited into OPEB trusts, pursuant to this Settlement, exceed allowable

income tax deduction limits, any income taxes paid will be recorded as negative deferred income taxes, to be added to rate base in future proceedings. (Settlement ¶ 54.)

Pursuant to the Opinion and Order entered on May 24, 2012, at Docket No. P-2011-2275383, Columbia deferred, for accounting and financial reporting purposes, the one-time expense of \$903,131 associated with its allocated share of NiSource Corporate Services Company's ("NCSC") OPEB regulatory asset resulting from NCSC's transition from cash basis to accrual. In the settlement of the 2012 Columbia base rate case at Docket No. R-2012-2321748, Columbia was allowed to recover the total deferred amount of \$903,131 over a ten-year period that began on July 1, 2013. This Settlement continues the ten-year amortization established in the 2012 rate proceeding. (Settlement ¶ 52 (iv).)

In the settlement of Columbia's 2012 rate case, Columbia agreed to an amortization of a deferred OPEB refund in the total amount of \$(607,393). The estimated remaining balance of that refund amount at January 1, 2016 is \$(114,640). (Columbia Statement No. 4, p. 42.) Under the Settlement, the Joint Petitioners have agreed that rates will reflect the twelve month amortization of the deferred OPEB balance of \$(114,640). (Settlement ¶ 52(v).) This provision continues the passback to customers of this deferred balance and is in the public interest.

5. Future Debt Issuances

I&E proposed that certain information be provided to the statutory parties following the actual issuances of debt projected for the Future Test Year and Fully Projected Future Test Year ("FPFTY"). Under the Settlement, Columbia agrees that, for all future debt issuances during the twelve month periods ending December 31, 2015 and December 31, 2016, Columbia will provide to TUS, I&E, OCA and OSBA, within 60

days of issuance, all loan documentation filed with the Commission in compliance with orders in filings submitted by Columbia pursuant to Chapter 19 of the Pennsylvania Public Utility Code. In addition, Columbia will preserve and provide to I&E, OCA and OSBA as a part of its next base rate case the following: (1) all documentation supporting debt issued between this base rate case and the next base rate case; and (2) the Treasury yield as reported in the Federal Reserve Statistical Release, H.15 Selected Interest Rates and the yield spread as reported by Reuters Corporate spreads as of the dates of each issuance. (Settlement ¶ 56.)

B. REVENUE ALLOCATION AND RATE DESIGN

Appendices A and B to the Settlement set forth the agreed to revenue allocation and rate design to the classes. (Settlement ¶ 60.) As described below, these items were the subject of extensive litigation and negotiation, and reflect a compromise of the positions of all the Parties to this proceeding. The Settlement strikes a balance that is in the best interest of all of Columbia's customers, and should be approved.

1. Revenue Allocation

As in many base rate cases, the revenue allocation issues were among the most contentious issues in this proceeding. The Joint Petitioners proposed a variety of class cost of service studies and cost allocation methodologies. Moreover, even to the extent certain Joint Petitioners agreed on the basic overall methodology, *i.e.* the Design Day demand allocation versus the Peak & Average methodology, these Joint Petitioners still disagreed on how to allocate certain other costs to the different rate classes, as well as how much movement toward cost of service was appropriate. Despite the fact that the Joint Petitioners were not able to agree on a specific class "cost of service" in the Settlement, they were able to agree to a revenue allocation that is within the range of

revenue allocations proposed by the Joint Petitioners in this proceeding, and Columbia believes that this revenue allocation meets the “cost of service” standards adopted by the Courts and the Commission.

All Parties supported their respective cost of service studies for litigation purposes. However, the Parties were willing to compromise in order to achieve a settlement of the revenue allocation issues. Therefore, the revenue allocation set forth in the Settlement is not based upon a specific agreed to formulaic approach. Moreover, the Settlement rates are not based upon any specific cost of service study results. Instead, the Settlement reflects a compromise of the Parties’ revenue allocation and rate design proposals. (Settlement Appendices “A” and “B”.) The resulting class increases, as compared to the Company’s as-filed increases, are as follows:

Customer Group	As Filed	Percentage of Proposed Increase⁷	As Settled	Percentage of Settled Increase
Residential (RS/RDS)	\$35,809,793	78%	\$20,376,887	73%
Small General Service (SGSS/SGDS/SCD)	\$6,137,865	13%	\$4,516,619	16%
Small Distribution Service (SDS/LGSS)	\$1,763,076	4%	\$1,928,619	7%
Large Distribution Service (LDS/LGSS)	\$2,381,961	5%	\$1,177,705	4%
Mainline Distribution Service (MLDS/NSS)	(\$649)	0%	\$170	0%
Total	\$46,092,046	100%	\$28,000,000	100%

⁷ Columbia St. No. 11, p. 9.

As noted above, the revenue allocation under the Settlement represents a compromise and falls within the litigation positions of the Joint Petitioners. Columbia notes that because of the disagreement over cost allocation studies and the “black box” nature of the Settlement, it is not possible to precisely calculate the extent to which the Settlement moves rates closer to cost of service for all Joint Petitioners. However, Columbia believes that the Settlement achieves progress in the movement toward cost-based rates.

2. Rate Design

a. Residential Rate Design

One issue in this proceeding concerned the pro forma throughput volume to be reflected for the residential class. I&E proposed a higher level of average use per residential customer than proposed by Columbia. (I&E Statement No. 3, pp. 23-24; Columbia Statement No. 102-R, pp. 1-7.) OCA also proposed changes to projected throughput. (OCA Statement No. 1, pp. 8-9.) The Settlement reflects a compromise of the issue, and rates are designed to reflect total pro forma throughput of 34,500,000 Dth for the residential class for the FPFTY. (Settlement ¶ 47; Settlement Appendix “B”.) The compromise of parties’ positions on this issue is in the public interest.

In this proceeding, Columbia proposed to increase the customer charges for residential customers from \$16.75 to \$20.60. (Columbia Statement No. 11, p. 14.) This increase was opposed by OCA and I&E.⁸ (OCA Statement No. 3, pp. 35-37; I&E Statement No. 3, p. 48.) As part of the Settlement, the Joint Petitioners have agreed

⁸ CAUSE-PA also presented testimony regarding the impact of a fixed residential customer charge on low-income customers. (CAUSE-PA St. No. 1, pp.5-13; 16-21). However, it did not recommend a specific residential customer charge.

that the residential customer charge will remain at the current rate of \$16.75/month. (Settlement ¶ 58.)

b. Commercial and Industrial Rate Design

In this proceeding, Columbia proposed to increase the customer charges for small commercial and industrial customers. Specifically, Columbia proposed to increase the customer charge for customers under Rates Small General Sales Service (“SGSS”), Small Commercial Distribution (“SCD”), and Small General Distribution Service (“SGDS”) using up to 6,440 therms annually from \$21.25 to \$27.75. (Columbia Statement No. 11, p. 14.) The OSBA and I&E objected to the proposed increase to the customer charge for customers under Rates SGSS, SCD, and SGDS using up to 6,440 therms annually. I&E recommended that the customer charge for these customers be \$23.36, and the OSBA recommended that customer charge for these customers be \$24.00.⁹ (I&E Statement No. 3, p. 52; OSBA Statement No. 1, p. 27).

In addition, the Company proposed that the customer charge for customers under these rate schedules that use more than 6,440 therms annually be increased to \$55.50. (Columbia Statement No. 11, p. 14.) The OSBA and I&E objected to the proposed increase to the customer charge for customers under Rates SGSS, SCD, and SGDS using more than 6,440 therms annually. Instead, both the OSBA and I&E recommended that the customer charge for these customers remain at the current \$48.00. (OSBA Statement No. 1, p. 27; I&E Statement No. 3, p. 52.)

Under the Settlement, the Joint Petitioners have agreed that the customer charge shall remain at the current \$21.25 per month for customers under Rates SGSS, SCD,

⁹ The OSBA recommended no increase to the current \$21.25 customer charge if the Commission determined that there should not be a customer component of mains included in the customer charge. (OSBA St. No. 1, p. 27).

and SGDS using up to 6,440 therms annually. (Settlement ¶ 59.) In addition, the Joint Petitioners have agreed that the customer charge shall remain at the current \$48.00 per month for customers under Rates SGSS, SCD, and SGDS using more than 6,440 therms annually. (Settlement ¶ 59.) This is consistent with I&E's and OSBA's proposals in this case, and should be approved.

In this proceeding, Columbia initially proposed a 5.17% rate increase for the Large Distribution Service ("LDS")/ Large General Sales Service ("LGSS") class. (Columbia Statement No. 11, p. 9.) Witnesses for CII and PSU testified that the LDS rate increase, as proposed, was burdensome, in part because the LDS rate class includes customers who are on flex rates, and therefore are not subject to the increase. (CII Statement No. 1, pp. 6-7; PSU Statement No. 1, pp. 8-9.) As a result of negotiations, the Parties agreed to reduce the total increase to the LDS/LGSS class from the Company's proposal of \$2,381,961 to \$1,177,705, which represents a slightly lower percentage (4.2%) of the total Settlement increase than originally proposed by Columbia. (Settlement Appendix A.)

c. Other Charges and Riders

Consistent with the Commission's June 23, 2011 Final Rulemaking Order at Docket No. L-2008-2069114, Columbia designed a gas procurement charge ("GPC") in order to remove natural gas procurement costs from base rates and to recover those fuel acquisition costs as part of the "price to compare," on a revenue neutral basis via an automatic adjustment charge only to be recalculated in a base rate case. As proposed by Columbia, the GPC included the labor and benefits costs associated with gas procurement activities, including external legal costs. (Columbia Statement No. 12, p. 4.) Columbia proposed a GPC of \$0.00166 per therm. (Columbia Ex. NJDK-2).

The NGS Parties presented testimony in support of a higher GPC that included additional costs. (NGS Parties Statement No. 3, pp. 14-18.) Under the Settlement, the Joint Petitioners were able to reach an amicable resolution relative to the level of the GPC, which provides that the Company's GPC shall continue at the current rate of \$0.00695 per therm. (Settlement ¶ 62.)

The Joint Petitioners have also agreed that one of Columbia's proposed charges, the Choice Administrative Charge ("CAC") will not be adopted in this proceeding. (Settlement ¶ 61.) Columbia had proposed the CAC to recover costs incurred to administer and maintain the Choice Program and Gas Distribution Service Program on Columbia's system. (Columbia Statement No. 12, pp. 4-5.) The NGS Parties, PSU and I&E opposed the charge. (NGS Parties Statement No. 3, pp. 8-12; PSU Statement No. 1, pp. 9-14; I&E Statement No. 3, pp. 56-57.) In order to reach a settlement in this proceeding, Columbia agreed to not adopt the charge at this time.

As part of the settlement of the CAC and GPC issues, the Parties also agreed to a stayout period suspending the ability of the Parties to introduce proposals regarding the CAC and GPC. Specifically, Columbia agreed that it would not propose a CAC for a period of two base rate cases, or five years, whichever occurs first. (Settlement ¶ 63.) The Parties further agreed not to propose a change to Columbia's GPC rate for a period of two base rate cases, or five years, whichever occurs first. Recognizing that the Settlement cannot bind non-parties, the Settlement provides that if any non-party to the Settlement, during this stayout period, proposes changes to the GPC, all parties to the Settlement shall have the right to propose either a CAC or other changes to the GPC in rebuttal testimony. (Settlement ¶ 63.)

The CAC and GPC have been highly contentious issues over several cases. The limited stayout term for these issues is intended to reduce controversy for the next several rate cases and therefore is in the public interest.

d. Conclusions as to Rate Design

The proposed changes to the rate design for all customer classes, as set forth in Appendix “B” to the Settlement, reflect an accord reached between the Joint Petitioners as to the rate design to be used to recover the rate increases allocated under the Settlement to the Company’s customers. Columbia submits that the Settlement reflects an acceptable compromise of the competing litigation positions of the Joint Petitioners relative to rate design.

C. UNIVERSAL SERVICE AND CONSERVATION

The Settlement includes several provisions related to Columbia’s Universal Service Programs. In direct testimony, Columbia proposed to modify the funding levels and eligibility requirements for its Emergency Repair Program (“ERP”) as well as its method of recovering these costs. (Columbia Statement No. 12, pp. 9-10; pp. 11-12.) Columbia also proposed to recover the administrative costs associated with its Customer Assistance Program (“CAP”) through its Rider Universal Service Program (“Rider USP”) rather than through base rates. (Columbia Statement No. 12, p. 10; p. 14.)

The Settlement adopts Columbia’s Universal Service proposals. Specifically, the Settlement, if approved, would increase the ERP annual budget to \$600,000; raise the eligibility guidelines for ERP to 200% of the Federal Poverty Level (“FPL”); and recover ERP program costs through Rider USP. (Settlement ¶ 64.) Further, the portion of ERP funds available for individuals between 151% and 200% of the FPL will be limited to 10% of the total ERP budget. (Settlement ¶ 64.) The Settlement also provides for the

recovery of third party costs to administer its Customer Assistance Program (“CAP”) through its Rider USP. (Settlement ¶ 65.) This is consistent with treatment of CAP administrative cost recovery by other Pennsylvania utilities as approved by the Commission. (Columbia Statement No. 12, p. 14.)

In direct testimony, CAUSE-PA expressed concern with the effect of a rate increase on low-income customers and proposed a number of efforts Columbia could undertake to mitigate the effects of a rate increase upon low income customers. (CAUSE-PA Statement No. 1, pp. 14-16.) In the Settlement, Columbia has agreed to undertake several initiatives to address CAUSE-PA’s concerns.

As part of the Settlement, Columbia agrees to establish a Universal Service Advisory Committee, and will invite participants of interested parties, community partners, and representatives of other public utilities in the region. (Settlement ¶ 66.) Columbia will hold two Universal Service Advisory Committee meetings per year. (Settlement ¶ 66.) Columbia also agrees to track all cancelled or denied referrals by reason for the ERP and the Low Income Usage Reduction Program (“LIURP”). Columbia will report the data to the Universal Service Advisory Committee. (Settlement ¶ 67.)

Columbia currently has in place a number of programs for low income customers that are designed to reduce energy usage. (Columbia St. No. 112-R, pp. 64-65.) Energy conservation is an important component to Columbia’s efforts to make bills affordable for low income customers. (Columbia St. No. 112-R, p. 67.) As part of the Settlement, Columbia reaffirms that it will continue its efforts to coordinate low income and energy conservation programs. In so doing, the Settlement recognizes that there are participant qualification differences among the various programs offered by Columbia,

and that the various programs are intended to address different needs among customers served under Customer Assistance Referral and Evaluation Services, CAP, LIURP and ERP. Columbia also agrees to reach out to the Pennsylvania Department of Community and Economic Development (“DCED”) and to other public utilities within its service territory to explore ways to further enhance Columbia’s coordination of energy efficiency programming. Columbia will inform the Universal Service Advisory Committee of the results of these efforts, and will provide an opportunity for Committee members to offer feedback and recommendations for improvement. (Settlement ¶ 68.)

Finally, Columbia has agreed to continue its extensive low income customer outreach efforts, and will continue to consult with other entities that assist low income customers to identify additional, cost-effective outreach efforts. Columbia will explore ways to engage in joint advertising efforts with other public utilities within Columbia’s service territory to promote the availability of universal service program assistance. Columbia will inform the Universal Service Advisory Committee of the results of these efforts, and will provide an opportunity for Committee members to offer feedback and recommendations for improvement. (Settlement ¶ 69.)

Columbia is an industry leader in programs to assist low income customers including, but not limited to, energy conservation programs. The commitments to Universal Service and Energy Conservation contained in the Settlement reflect the Company’s continued support for these programs, are in the public interest and should be approved.

D. PROGRAMS TO EXPAND THE AVAILABILITY OF GAS SERVICE

In direct testimony, Columbia presented three new proposals designed to expand the availability of natural gas service in Columbia's service territory: (1) a footage allowance of 150 feet of main line per applicant without the need for a net present value ("NPV") analysis in normal situations; (2) an allowance of 150 feet of service line in normal situations for customers served in those portions of Columbia's service territory where the Company owns the service line; and (3) reimbursement of up to \$1,000 for the installation of house piping on projects when projected revenues exceed projected costs by a certain threshold. (Columbia Statement No. 14, pp. 3-15.)

Columbia's proposals to expand the availability of natural gas service are responsive to encouragement from I&E (in Columbia's 2012 base rate proceeding at Docket No. R-2012-2321748), OCA (in the 2014 Pilot Rider New Area Service ("NAS") Proceeding at Docket No. R-2014-2407345) and the Commission (in a Statement issued by Commissioner Witmer on the approval of Pilot Rider NAS) that the Company do more to expand the availability of natural gas service. (Columbia Statement No. 14, p. 15.) Further, these programs will complement the currently effective Pilot Rider NAS, which was established at Docket No. R-2014-2407345. (Columbia Statement No. 14, p. 3.) The up-front deposit presents one of the largest barriers for customers to convert to natural gas. (Columbia Statement No. 14, p. 3.) While Pilot Rider NAS spreads the cost of a customers' deposit over time, it does not reduce the total cost of the deposit. (Columbia Statement No. 14, p. 3.) Therefore, Columbia's proposals will enable more individuals in Columbia's service territory to receive natural gas service. (Columbia Statement No. 14, p. 3.) Efforts to increase the availability of low cost natural gas

service throughout Columbia service territory are consistent with Commission goals and are in the public interest.

The OCA and OSBA submitted testimony regarding Columbia's proposals to expand the availability of natural gas service. The OCA recommended that Columbia's service expansion proposals be approved and also suggested that the programs be accompanied by several reporting requirements, many of which were adopted in the Settlement. (OCA Statement No. 3, pp. 40-41; Settlement ¶ 70(a)-(i).) The OSBA did not oppose Columbia's service expansion proposals. (OSBA Statement No. 1, p. 32.) The Parties agreed that the following programs as proposed by Columbia should be approved: (a) footage allowance of 150 feet of main per residential applicant in normal situations; (b) allowance of 150 feet of Company-owned service line in normal situations; and (c) up to \$1,000.00 reimbursement per residential conversion customer toward the cost of house piping for projects that generate a net positive present value greater than \$1,000.00 per customer. (Settlement ¶ 70.) As part of the Settlement, Columbia agreed to provide the following information related to the service expansions proposals: (a) main and service investment per project; (b) NPV model results for each project, inclusive of the main and service allowances; (c) required Pilot Rider NAS deposit by project; (d) house piping reimbursement by project; (e) number of customers connected by each project and number of subsequent connections; (f) annual non-gas revenues received by project, separated into base rate and Pilot Rider NAS revenues (principle and interest stated separately); (g) annual usage by project; (h) average investment cost per customer by project; and (i) number of new service requests for projects in which the NPV model is run, but the project does not proceed to construction. (Settlement ¶ 70(a)-(i).) The information to be provided will assist other

parties and the Commission in assessing the impact of Columbia's new service initiatives and should be approved.

E. NATURAL GAS SUPPLIER ISSUES

The Settlement contains several terms intended to address concerns raised by the NGS Parties.

One of the primary areas of concern for the NGS Parties concerned penalties and imbalance charges. The Settlement includes various changes to Columbia's tariff rules to reduce penalties and imbalance charges, while continuing to maintain provisions to encourage compliance with Columbia's delivery requirements. In order to understand the Settlement terms related to penalties and imbalance charges, it is necessary to briefly explain Columbia's delivery requirements for CHOICE and General Delivery Service ("GDS").¹⁰

Columbia's CHOICE program is referred to as an average day program. CHOICE suppliers are required to schedule and deliver each day 1/365th of customers' average annual requirements. (Columbia St. No. 112-R, p. 3.) Columbia manages daily differences between deliveries and actual requirements through retained capacity, chiefly storage. (Columbia St. No. 112-R, p. 4.) Because the CHOICE program is structured around average day deliveries, any deviation from the required daily delivery results in imposition of a penalty. The penalty amount is doubled on critical Operational Flow Order ("OFO") days. (Columbia St. No. 112-R, p. 32.) Currently, CHOICE suppliers have been very effective in meeting daily delivery requirements. (Columbia St. No. 112-R, pp. 49-50.)

¹⁰ Columbia's CHOICE program provides for assignment of capacity and delivery rules for residential and small commercial customers. GDS is general transportation for larger customers, who are not eligible to participate in the Company's CHOICE program.

Different rules are applicable to GDS suppliers. GDS deliveries are not required to meet daily delivery requirements, except in the event an OFO or Operational Matching Order (“OMO”) is in effect. Failure to comply with an OFO or OMO will result in the imposition of a penalty. (Columbia St. No. 112-R, p. 39.) GDS customers are provided with generous banking and balancing tolerances. For a small GDS customer, the customer/supplier may bank up to 10% of the customer’s annual delivery quantity, and the bank may be used to meet delivery deficits in any month (subject to OFO/OMO requirements). (Columbia St. No. 112-R, p. 41.) For a large GDS customer, the banking tolerance is 5% of the customer’s annual delivery quantity. (Columbia St. No. 112-R, p. 41.)

Columbia provides additional services, including trading and transfers of gas supplies/banks between suppliers, to remain within bank tolerances. (Columbia St. No. 112-R, p. 42.) Only if a customer exceeds its allowed bank tolerance in a month, or depletes its bank and underdelivers for the month, resulting in a gas purchase from Columbia, are imbalance charges imposed. (Columbia St. No. 112-R, p. 40.) Imbalance charges are based upon stated index prices.

Under the Settlement, the current penalty for failure to deliver in accordance with the CHOICE Daily Delivery requirement on non- OFO days is reduced by over 10%, from \$23.30 per Dth, to \$20.80 per Dth. (Settlement ¶ 71.) Columbia also agreed to change the current penalty for failure to deliver in accordance with the Choice Daily Delivery requirement on OFO days from \$46.60 per Dth to \$41.60 per Dth. (Settlement ¶ 72.) In addition, in order to avoid the possibility that a CHOICE supplier might inadvertently fail to schedule the proper supplies to comply with CHOICE requirements, in 2016, Columbia will develop and implement a notice in its Aviator gas supply

nomination system to notify an NGS if its scheduled nomination for CHOICE deliveries does not comply with its daily delivery requirement. The NGS may decide to disregard the notice and proceed to schedule an incorrect nomination amount; however, the NGS will need to affirmatively elect to proceed before finally submitting the nomination. (Settlement ¶ 73.)

As part of the Settlement, Columbia will modify its elective balancing service (“EBS”) under-deliveries and over-delivery tariff language with respect to the index price. (Settlement ¶ 74.) The new price for under-deliveries will be the higher of either:

- i. a price equal to 120% of the average of the Daily Index prices for each day of the applicable month as reported in the PLATTS GAS DAILY publication, in the **Daily price survey** section under the heading “**Appalachia**” for “Columbia Gas, App.” **Midpoint**, plus the 100% load factor TCO FTS costs (including demand, commodity and retainage), or
- ii. the highest commodity cost of purchases by the Company during the calendar month, including the delivered cost of purchases at the city gate, if any excluding any purchases under fixed price commodity contracts for which the price was determined more than thirty days before the beginning of the calendar month.

In addition, applicable taxes and Company transportation shall apply. Furthermore, if, in any month, Company incurs other charges, including gas costs, penalty charges or cash-outs caused by excess monthly under deliveries, the Customer or NGS shall be charged its pro rata share of such charges.

The new price for over-deliveries (e.g., deliveries in excess of bank tolerance) shall be the lower of either:

- i. a price shall be equal to 80% of the average of the Daily Index prices for each day of the applicable month as reported in the PLATTS GAS DAILY publication, in the **Daily price survey** section under the heading “**Appalachia**” for “Columbia Gas, App.” **Midpoint**, or

- ii. the lowest commodity cost of purchases by the Company during the calendar month, including the delivered cost of purchases at the City Gate, if any excluding any purchases under fixed price commodity contracts for which the price was determined more than thirty (30) days before the beginning of the calendar month.

In addition, if, in any month, Company incurs other charges, including gas costs, penalty charges or cash-outs caused by excess monthly over deliveries, the Customer or NGS shall be charged its pro rata share of such charges.

These changes reflect various revisions from the currently effective imbalance charges. Specifically, the Columbia Appalachia index is a substitute for the current index price of the average of highest City Gate price for ten consecutive days during the month under the “Texas Eastern M-3” index. Second, the Settlement removes the tiered layers of multipliers, which currently go as high as $\pm 30\%$ applied to the price for under or over deliveries. (Supplement No. 200 to Tariff Gas—Pa. P.U.C. No. 9, Ninth Revised Page No. 209.) In addition, Columbia will change the current OFO/ OMO penalty from \$23.30 per Dth, to \$20.80 per Dth. (Settlement ¶ 75.)

In direct testimony, the NGS parties expressed additional concerns related to the GDS service. Specifically, the NGS Parties proposed the following changes to Columbia’s General Transportation rules, among others: (1) make GTS meter reads available sooner; (2) eliminate the splitting of nomination groups between Priority 1 and non-Priority 1 by market area; and (3) adopt additional accommodations to ease bank and imbalance trading. (NGS Parties Statement No. 1, pp. 18-19.) The NGS Parties offered two additional operational suggestion in direct testimony: (1) that the Maximum Daily Quantity (“MDQ”) report be distributed sooner and (2) that Columbia address the

customer name discrepancy that can occur when enrolling a new account. (NGS Parties Statement No. 2, pp. 2-5.)

In an effort to resolve these issues through Settlement, Columbia has also agreed to undertake additional commitments that address these concerns. Specifically, Columbia will: (1) allow Priority 1 and non-Priority 1 customers to be in the same nomination group within the same market area; (2) change the deadline for bank balance transfers from the first business day following the last day of the calendar month in which the trade is to apply, to the third business day following the last day of the calendar month in which the trade is to apply; and (3) update the Customer Information List before the start of the effective month. (Settlement ¶ 76, 78, 79.) Columbia shall continue its current practice that allows GDS Customers and/or GDS NGS' to transfer gas across contiguous, non-constrained market areas. (Settlement ¶ 77.) These commitments will further reduce the potential for application of imbalance charges, and should be approved. To address the customer name discrepancy issue, Columbia agrees to review its training and processes for managing instances in which it becomes aware of discrepancies between a name on a customer account and a different customer name provided to the Company, with the intent to minimize any potential delay in switching a customer to an NGS, recognizing the Company's authority to require security deposits in appropriate circumstances. The Company shall discuss the results of its review with the NGS Parties. (Settlement ¶ 80.)

F. OTHER ISSUES

1. Restoration Costs

I&E Witness Kline identified in direct testimony that Columbia's replacement cost per mile has increased. (I&E Statement No. 4, pp. 16-17.) Paving costs represent a

significant portion of Columbia's replacement costs. (I&E Statement No. 4, pp. 16-17.) As explained by Columbia Witness Davidson, municipalities are expanding restoration requirements on utilities, which has played a major role in Columbia's increased restoration costs. (Columbia Statement No. 15, pp. 12-13.) Columbia is working to manage cost increases by engaging local governments to balance municipal restoration requirements with Columbia's goal of delivering the best value to its customers. (Columbia Statement No. 15, pp. 14-15.)

In an effort to address the concern of costs being imposed by municipalities, particularly in light of Columbia's ongoing, aggressive main replacement program, the Parties to the Settlement have agreed that Columbia will meet with the Commission's Gas Safety Division, and any other interested parties, within 30 days of the final order in this proceeding, to discuss strategies that seek to reduce construction and restoration costs associated with all pipeline replacement projects. (Settlement ¶ 82.) In addition to the aforementioned meeting, Columbia agreed that prior to October 31, 2015, Columbia will meet with the Commission's Gas Safety Division and other parties to identify increasing state, county and municipal requirements that exceed the Pennsylvania Department of Transportation restoration standards and add to the cost of pipeline replacements in an effort to develop coordinated potential responses to such requirements. In furtherance of such meetings, Columbia will discuss the results of the audits of the restoration costs for its 10 largest projects that were provided in Columbia Exhibit MJD - 1R in the prior year, identifying costs incurred in excess of the Pennsylvania Department of Transportation restoration standards for paving, sidewalk repair and permitting fees. (Settlement ¶ 83.)

Finally, Columbia will continue its efforts to reduce restoration costs, through efforts including, but not limited to, coordinating pipe replacement projects with other street projects, and replacing pipe using trenchless construction techniques where technically and economically feasible. (Settlement ¶ 81.) These Settlement provisions will provide Columbia, I&E and other interested parties with the opportunity to more closely examine the factors resulting in increased restoration costs associated with the Company's main replacement program.

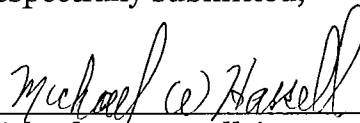
2. Leak Repair

Under the Settlement, Columbia agrees to continue its efforts to reduce its number of Type 2 leaks, pursuant to its current target of repairing Type 2 leaks within 12 months, and not to exceed 15 months, and will also continue its efforts to reduce the backlog of Type 3 leaks. (Settlement ¶ 84.) This provision reaffirms Columbia's commitment to effective and proper leak repairs and should be approved.

III. CONCLUSION

The Settlement is the result of a detailed examination of Columbia's proposals, multiple rounds of discovery, direct, rebuttal, surrebuttal and rejoinder testimony, and compromise by all active parties. Columbia believes that fair and reasonable compromises have been achieved on the settled issues in this case, as is evident by the fact that the parties have reached an agreement on all but one issue in this proceeding. Columbia fully supports this Settlement and respectfully requests that the ALJ and the Commission review and approve the Settlement in its entirety without modification.

Respectfully submitted,



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Date: August 27, 2015

Attorneys for Columbia Gas of Pennsylvania, Inc.

Appendix E

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2015-2468056
	:	
Columbia Gas of Pennsylvania, Inc.	:	
	:	

**BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
JOINT PETITION FOR PARTIAL SETTLEMENT**

TO ADMINISTRATIVE LAW JUDGE MARY D. LONG:

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), through its Prosecutor, Scott B. Granger, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Partial Settlement (“Joint Petition” or “Settlement”)¹ are in the public interest and represent a fair, just and reasonable balance of the interests of Columbia Gas of Pennsylvania, Inc. (“Columbia” or “Company”) and its customers. This statement in support is based upon I&E’s conclusion that the Settlement is in the public interest as supported by the following factors:

¹ The Joint Petitioners are identified in the Joint Petition for Partial Settlement, p. 1.

I. BACKGROUND

1. I&E is charged with representing the public interest in proceedings before the Commission relating to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to ensure that the public interest is served and to identify to what extent amicable resolution of any proceeding will benefit the public interest. Based upon I&E's analysis of the Company's base rate filing, acceptance of this proposed Settlement is in the public interest and I&E requests that Administrative Law Judge Hoyer recommend and that the Commission approve the Settlement in its entirety.

2. On March 19, 2015, Columbia filed with the Commission Supplement No. 226 to its Tariff Gas – Pa. P.U.C. No. 9 (“Supplement No. 226” or “base rate filing”). Supplement No. 226, issued March 19, 2015 and to be effective May 18, 2015, proposed an increase in revenues of approximately \$46.2 million which represents an 8.63% increase in operating revenues based upon a pro forma fully projected future test year (“FPFTY”) ending December 31, 2016.²

3. I&E entered the Notices of Appearance of Prosecutor Scott B. Granger in this proceeding on April 7, 2015.

4. On April 9, 2015, the Commission issued an Order initiating an investigation of Columbia's proposed general rate increase and suspending Columbia's Supplement No. 226 by operation of law until December 18, 2015, unless otherwise directed by Order of the Commission.

² A comprehensive procedural history of this proceeding is set forth in the Joint Petition, pp. 2-8.

5. Administrative Law Judges Mary D. Long was assigned to this proceeding for purposes of conducting hearings and issuing a Recommended Decision.

6. The ALJ held the initial Prehearing Conference on April 16, 2015, during which the parties agreed to a schedule for the conduct of the case including the service of testimony among the parties and the dates for evidentiary hearings. As no evidence of the need for public input hearings was presented nor a request for one made, none was scheduled or held.

7. All statutory parties undertook comprehensive discovery in this proceeding. I&E commenced discovery within the first two weeks after the filing was made and continued to conduct discovery throughout the litigation process.

8. In accordance with the procedural schedule established at the prehearing conference, I&E served to all active parties the following 9 pieces of testimony and accompanying 6 exhibits from 4 I&E witnesses addressing the subjects of rate of return, operating and maintenance expenses, rate base, test year, present rate revenues, cost of service, scale-back, customer cost analysis, customer charges, CAC Rider, pipeline replacement, and pipeline replacement costs:

I&E Statement No. 1 - Direct Testimony of Rachel Maurer.

I&E Exhibit No. 1 - Exhibit to accompany the Direct Testimony of Rachel Maurer.

I&E Statement No. 1-SR – the Surrebuttal Testimony of Rachel Maurer.

I&E Exhibit No. 1-SR – the Exhibit to accompany the Surrebuttal Testimony of Rachel Maurer.

I&E Statement No. 2 - Direct Testimony of Christopher Keller including the Errata to I&E Statement No. 2.

I&E Exhibit No. 2 - Exhibit to accompany the Direct Testimony of Christopher Keller.

I&E Statement No. 2-R – the Rebuttal Testimony of Christopher Keller.

I&E Statement No. 2-SR – the Surrebuttal Testimony of Christopher Keller.

I&E Statement No. 3 - Direct Testimony of Jeremy B. Hubert.

I&E Exhibit No. 3 – Non-Proprietary and Proprietary Exhibit to accompany the Direct Testimony of Jeremy B. Hubert.

I&E Statement No. 3-R – the Rebuttal Testimony of Jeremy B. Hubert.

I&E Statement No. 3-SR – the Surrebuttal Testimony of Jeremy B. Hubert.

I&E Exhibit No. 3-SR – the Exhibit to accompany the Surrebuttal Testimony of Jeremy B. Hubert.

I&E Statement No. 4 Revised - Direct Testimony of David Kline.

I&E Exhibit No. 4 Revised - Exhibit to accompany the Direct Testimony of David Kline.

9. On July 2, 2015, Columbia filed Supplement No. 233 to Tariff Gas Pa. PUC No. 9, suspending Columbia's Supplement No. 226 until December 18, 2015.

10. On August 4, 2015, an evidentiary hearing was held for the purpose of submitting testimony and exhibits for the record by stipulation. The parties waived cross-examination of all witnesses.

11. The second day of hearings was held on August 10, 2015 for the purpose of admitting by stipulation the testimony and exhibits of Columbia witnesses and PSU witness into the record, with all references to the Snowshoe Lateral issues removed.

12. In accordance with Commission policy favoring settlements at 52 Pa. Code Section 5.231, I&E participated in multiple settlement discussions with the Company and

other parties to this proceeding over the course of this proceeding. As a result of those discussions the Joint Petitioners have been able to agree to a Settlement in this proceeding covering all but one issue regarding Columbia's Hardship Fund.

13. On this same day, August 27, I&E filed its main brief addressing the issues specifically reserved for litigation set forth above. The parties' reply briefs are due on September 11, 2015.

II. TERMS AND CONDITIONS OF SETTLEMENT

14. Joint Petitioners have agreed to a base rate increase, to an allocation of that revenue increase to the rate classes and to rate design for all rate classes to recover the portion of the rate increase allocated to such classes. The Joint Petitioners are in full agreement that the Settlement is in the best interests of Columbia and its customers.

15. In the Settlement, the Joint Petitioners have proposed that rates be designed to produce an additional \$28.0 million in annual base rate operating revenues instead of the Company's filed increase request of approximately \$46.2 million. Upon approval of the Settlement, Columbia will receive an increase in existing base rate operating revenues of approximately 5.18%, instead of the 8.63% increase proposed in Columbia's filing.

16. I&E submits that the Settlement balances the interests of the Company and its customers in a fair and equitable manner and presents a resolution for the Commission's adoption that best serves the public interest.³ The Settlement satisfies all applicable legal standards and results in terms that are preferable to those that may have

³ Since not all parties addressed all issues in the proceeding, I&E's Statement in Support reflects I&E's comments with respect to those issues of concern to I&E, and therefore does not necessarily comment upon each issue addressed in the Settlement.

been achieved at the end of a fully litigated proceeding. Accordingly, and for the specific reasons articulated below and in order to achieve the full scope of benefits addressed in the Settlement, I&E requests that the Settlement be approved by the ALJ and the Commission without modification.

A. REVENUE REQUIREMENT (Joint Petition ¶¶ 46-55)

As proposed, Columbia requested an increase in revenues of approximately \$46.2 million which represented an 8.63% increase in operating revenues based upon a pro forma FPFTY ending December 31, 2016. In its direct case, I&E recommended a revenue increase of \$11,749,592⁴ based upon a residential throughput level of 25,409,026 Dth.⁵

In the settlement the Joint Petitioners agreed that rates will be designed to produce an increase in operating revenues of \$28.0 million based upon residential throughput level of 34,500,000 Dth and throughput levels for all other classes as proposed by the Company for the twelve months ended December 31, 2016. Tariff rates will go into effect on December 18, 2015.

I&E analyzed the ratemaking claims contained in the Company's filing including operating and maintenance expenses, rate case expense, labor and related taxes, NCSC – shared services, rate base, rate structure, cost of service, capital structure, the cost of common equity, cost rate of long-term debt, cost rate of short term debt, and risk

⁴ I&E does not tabulate the sum of its adjustments in testimony. For record support of I&E's litigation position with respect to overall revenue requirement, the following record sources apply: I&E St. No. 1, pp. 5-71 (Rate of Return); I&E St. No. 2, pp. 2-17 (Revenue and Expense; Rate Base); and I&E St. No. 3, pp. 7-58 (Rate Base, Revenues, Cost of Service, and Customer Charges).

⁵ See I&E St. No. 3, pp. 25-26.

analysis. After this review and engaging in extensive discovery and settlement discussions, I&E fully supports the revenue level compromised upon in the Settlement. Due to the "black box" nature of the Settlement, the Settlement does not reflect agreement upon individual issues; rather, the parties have agreed to an overall increase to base rates that is substantially less than what was requested by the Company. Line-by-line identification and ultimate resolution of every issue raised in the proceeding is not necessary to find that the Settlement is in the public interest nor could such a result be achieved as part of a settlement. Black box settlements benefit ratepayers because they allow for the resolution of a contested proceeding at a level of increase that is below the amount requested by the regulated entity and in a manner that avoids the significant expenditure of time and resources related to further litigation.

Black box settlements are not uncommon in Commission practice. Indeed, the Commission has endorsed the use of black box settlements, as discussed in a recent Order approving such a settlement:

We have historically permitted the use of "black box" settlements as a means of promoting settlement among the parties in contentious base rate proceedings. See, Pa. PUC v. Wellsboro Electric Co., Docket No. R-2010-2172662 (Final Order entered January 13, 2011); Pa. PUC v. Citizens' Electric Co. of Lewisburg, PA, Docket No. R-2010-2172665 (Final Order entered January 13, 2011). Settlement of rate cases saves a significant amount of time and expense for customers, companies, and the Commission and often results in alternatives that may not have been realized during the litigation process. Determining a company's revenue requirement is a calculation involving many complex and interrelated adjustments that affect expenses, depreciation, rate base, taxes and the company's cost of capital. Reaching an agreement between various parties on each component of a

rate increase can be difficult and impractical in many cases. For these reasons, we support the use of a "black box" settlement in this proceeding and, accordingly, deny this Exception.⁶

I&E individually, and the Joint Petitioners collectively, considered, discussed, and negotiated all issues of import in this Settlement. From a holistic perspective, each party has agreed that the Settlement benefits its particular interest. The Commission has recognized that a settlement "reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest."⁷ The Settlement in this proceeding promotes the public interest because a review of the testimony submitted by all parties demonstrates that the Joint Petition reflects a compromise of the litigation positions held by those parties. Therefore, I&E submits that the Settlement balances the interests of Columbia and its customers in a fair and equitable manner and presents a resolution for the Commission's adoption that best serves the public interest.

Furthermore, public utility regulation allows for the recovery of prudently incurred expenses as well as the opportunity to earn a reasonable return on the value of assets used and useful in public service. The increase proposed in this Settlement respects this principle. Ratepayers will continue to receive safe and reliable service at just and reasonable rates while allowing the Company sufficient additional revenues to meet its operating and capital expenses and providing the opportunity to earn a reasonable return on its investment. As shown above, the Settlement represents a substantial reduction of the increase in revenue initially proposed by the Company, and, I&E believes, properly

⁶ *Pa. PUC v. Peoples TWP LLC*, Docket No. R-2013-2355886, p. 28 (Order entered December 19, 2013).

⁷ *Pa. PUC v. C S Water and Sewer Associates*, 74 Pa. PUC 767, 771 (1991).

balances the interests of all parties. Accordingly, I&E submits that the proposed Settlement is in the public interest and requests that it be approved by the ALJ and the Commission without modification.

B. REVENUE ALLOCATION AND RATE DESIGN (Joint Petition ¶¶ 57-62)

The Joint Petitioners agree that the Residential customer charge will remain at the current \$16.75/month, and the Small General Service customer charges will remain at the current \$21.25/month (≤ 6440 therms) and \$48.00/month (> 6440 therms). The Joint Petitioners also agree that revenue allocation to the classes shall be as set forth in Appendix "A," and, rate design for all classes shall be as set forth in Appendix "B." Revenue allocation and rate design reflect a compromise and do not endorse any particular cost of service study.

Columbia will agree to withdraw its Choice Administrative Charge ("CAC") proposal in this proceeding. Columbia's Gas Procurement Charge ("GPC") rate shall continue at the current rate of \$0.00695/therm. Columbia agrees not to propose a CAC for a period of two base rate cases, or five years, whichever occurs first. Parties further agree not to propose a change to Columbia's GPC rate for a period of two base rate cases, or five years, whichever occurs first. Provided, however, that if any non-party to this settlement, during this stayout period, proposes changes to the GPC, all parties to this agreement reserve the right to propose either a CAC or other changes to the GPC in rebuttal testimony.

In its direct case, I&E recommended that the Residential customer charge be increased slightly to \$16.93 and that the Small General Services customer charge be increased slightly to \$23.36.⁸ However, as a result of the settlement negotiations, both the Residential and the Small General Services customer charges will remain at their current levels. I&E fully supports the agreed to customer charges and I&E maintains that the settlement is just, reasonable and non-discriminatory.

The agreed upon revenue allocation set forth in Appendix “A” and the rate design set forth in Appendix “B” are a result of extensive settlement negotiations. I&E believes that the settled upon revenue allocations and rate design are consistent with prior Commission decisions; provide stability to Columbia; represent a fair and reasonable rate increase to Columbia customers; are non-discriminatory; and provide protection from volatility; all of which are consistent with protecting the public interest.

Regarding the CAC Rider, in its direct case, I&E opposed Columbia’s proposed CAC Rider.⁹ I&E witness Hubert noted that the CAC Rider was an illogical unbundling of costs designed to make Choice products available to customers that would have the undesirable effect of increasing the costs of transportation customers thereby providing a disincentive to Choice.¹⁰ Therefore, I&E fully supports the withdrawal of the CAC and the maintaining of the GPC at current rate. I&E agrees that this settlement provision is just, reasonable, non-discriminatory, and in the public interest.

⁸ I&E St. No. 3, pp. 48-52.

⁹ See I&E St. No. 3, pp. 54-58.

¹⁰ *Id.*

C. UNIVERSAL SERVICE AND CONSERVATION (Joint Petition ¶¶ 63-68)

The Joint Petitioners agree that Columbia's proposals to: (a) increase the Emergency Repair Program ("ERP") annual budget to \$600,000; (b) raise the eligibility guidelines for ERP to 200% of the Federal Poverty Level ("FPL"); and (c) recover ERP program costs through Rider Universal Service Program ("Rider USP"), are approved. The portion of ERP funds available for individuals between 151% and 200% of the FPL will be limited to 10% of the total ERP budget.

Furthermore, the Joint Petitioners agree that Columbia's proposal to recover third party costs to administer its Customer Assistance Program ("CAP") through its Rider USP is approved. And, Columbia agrees to establish a Universal Service Advisory Committee, and will invite participants of interested parties, community partners, and representatives of other public utilities in the region. Columbia agrees to hold two Universal Service Advisory Committee meetings per year.

I&E did not oppose the above stated universal service and conservation proposals during litigation or during settlement negotiations; and I&E now supports the settled upon proposals as fair, reasonable, and in the public interest.

D. PROGRAMS TO EXPAND THE AVAILABILITY OF GAS SERVICE (Joint Petition ¶ 69).

The Joint Petitioners agree that the following programs to expand availability of natural gas service in Columbia's service territory are approved: (a) footage allowance of 150 feet of main per residential applicant in normal situations; (b) allowance of 150 feet of Company-owned service line in normal situations; and (c) up to \$1,000.00

reimbursement per residential conversion customer toward the cost of house piping for projects that generate a net positive present value greater than \$1,000.00 per customer.

I&E did not oppose the above stated programs to expand the availability of natural gas service during litigation or during settlement negotiations; and I&E now supports the settled upon proposals as fair, reasonable, and in the public interest.

E. NATURAL GAS SUPPLIER ISSUES (Joint Petition ¶¶ 70-79)

The Joint Petitioners support Columbia's agreement to change the current penalty for failure to deliver in accordance with the Choice Daily Delivery requirement on non-Operational Flow Order ("OFO") days from \$23.30 per Dth, to \$20.80 per Dth. Columbia agrees to change the current penalty for failure to deliver in accordance with the Choice Daily Delivery requirement on OFO days from \$46.60 per Dth to \$41.60 per Dth. In addition, in 2016, Columbia will develop and implement a notice in its Aviator system to notify an NGS if its scheduled nomination for its CHOICE deliveries does not comply with its daily delivery requirement. While the NGS will be able to proceed with its scheduled nomination, the NGS will need to affirmatively elect to proceed before submitting the nomination. And, Columbia agrees to change the current Elective Balancing Service ("EBS") under-deliveries and over-deliveries tariff language.

I&E did not oppose the above stated resolutions of the natural gas supplier issues during litigation or during settlement negotiations; and I&E now supports the settled upon proposals as fair, reasonable, and in the public interest.

F. OTHER (Joint Petition ¶¶ 80-83).

The Joint Petitioners agree that Columbia will continue its efforts to reduce restoration costs, through efforts including, but not limited to, coordinating pipe replacement projects with other street projects, and replacing pipe using trenchless construction techniques where technically and economically feasible. Columbia agrees to meet with the Commission's Gas Safety Division, and any other interested parties, within 30 days of the final order in this proceeding, to discuss strategies that seek to reduce construction and restoration costs associated with all pipeline replacement projects. In addition to the meeting proposed, *supra*, Columbia agrees that prior to October 31, 2015, Columbia will meet with the Commission's Gas Safety Division and other parties to identify increasing state, county and municipal requirements that exceed the Pennsylvania Department of Transportation restoration standards and add to the cost of pipeline replacements in an effort to develop coordinated potential responses to such requirements. In furtherance of such meetings, Columbia will discuss the results of the audits of the restoration costs for its 10 largest projects that were provided in Exhibit MJD – 1R in the prior year, identifying costs incurred in excess of the Pennsylvania Department of Transportation restoration standards for paving, sidewalk repair and permitting fees.

Additionally, Columbia will continue its efforts to reduce its number of Type 2 leaks, pursuant to its current target of repairing Type 2 leaks within 12 months, and not to exceed 15 months, and will also continue its efforts to reduce the backlog of Type 3 leaks.

In its direct case, I&E raised several issues regarding pipeline replacement and pipeline replacement costs, as well as issues regarding Columbia's ongoing efforts to reduce its number of Type 2 leaks and to reduce its backlog of Type 3 leak repairs.¹¹ These issues were the subject of extensive negotiations between I&E and Columbia. I&E is encouraged by Columbia's willingness to meet with I&E to develop strategies to address I&E's concerns going forward. Therefore, based on Columbia's renewed commitment in this Settlement to address these issues, I&E fully supports the agreed to settlement provisions. I&E believes the settlement provisions are is just, reasonable, and in the public interest.

G. ISSUES RESERVED FOR LITIGATION (Joint Petition ¶ 84).

The Joint Petitioners have reserved for litigation the issue of whether Columbia should end immediately its recovery of \$375,000 through its Rider USP that is used as part of the funding of its Hardship Fund.

III. THE SETTLEMENT SATISFIES THE PUBLIC INTEREST

17. I&E represents that all issues raised in testimony have been satisfactorily resolved through discovery and discussions with the Company or are incorporated or considered in the resolution proposed in the Settlement. The very nature of a settlement requires compromise on the part of all parties. This Settlement exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first blush to be irreconcilable regulatory differences. Joint Petitioners have carefully discussed and negotiated all issues raised in this proceeding, and specifically those addressed and

¹¹ See I&E St. No. 4 Revised, pp. 1-18.

resolved in this Settlement. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlement is not necessary as I&E represents that the Settlement maintains the proper balance of the interests of all parties. I&E is satisfied that no further action is necessary and considers its investigation of this rate filing complete.

18. Based upon I&E's analysis of Columbia's filing and the litigation positions propounded by the Joint Petitioners, acceptance of this Settlement is in the public interest. Resolution of this case by settlement rather than litigation avoids the substantial time and effort involved in continuing to formally pursue all issues in this proceeding at the risk of accumulating excessive expense and regulatory uncertainty.

19. I&E further submits that the acceptance of this Settlement negates the need for evidentiary hearings, which would compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the preparation of Main and Reply Briefs, the preparation of Exceptions and Replies, and the potential of filed appeals, all yielding substantial savings for all parties and ultimately all customers. Moreover, the Settlement provides regulatory certainty with respect to the disposition of issues and final resolution of this case which all parties agree benefits their discrete interests.

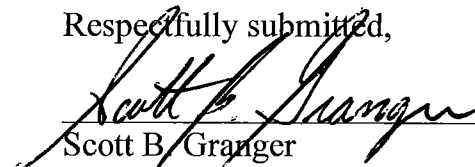
20. The Settlement is conditioned upon the Commission's approval of all terms without modification. Should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the Company, I&E, or any other Joint Petitioner.

21. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation in the event that the Settlement is rejected by the Commission or otherwise properly withdrawn by any other parties to the Settlement.

22. If the ALJ recommends that the Commission adopt the Settlement as proposed, I&E agrees to waive the filing of Exceptions. However, I&E does not waive its right to file Replies to Exceptions with respect to any modifications to the terms and conditions of the Settlement or any additional matters that may be proposed by the ALJ in his Recommended Decision. I&E also does not waive the right to file Replies in the event *any* party files Exceptions.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the Joint Petition for Settlement as being in the public interest and respectfully requests that Administrative Law Judge Mary D. Long recommends, and the Commission approves, the terms and conditions contained in the Settlement.

Respectfully submitted,



Scott B. Granger
Prosecutor
PA Attorney I.D. #63641

Dated: August 27, 2015

Appendix F

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2015-2468056
	:	
Columbia Gas of Pennsylvania, Inc.	:	

STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF THE
JOINT PETITION FOR PARTIAL SETTLEMENT

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Partial Settlement (Settlement), finds that the proposed terms and conditions of Settlement are in the public interest. The OCA respectfully requests that the Pennsylvania Public Utility Commission (Commission) approve the Settlement without modification for the following reasons:

I. INTRODUCTION

On March 19, 2015, Columbia Gas of Pennsylvania, Inc. (Columbia or the Company) filed Supplement No. 226 to Tariff Gas - Pa. P.U.C. No. 9, to become effective May 18, 2015. The Company, by filing this tariff supplement, sought Commission approval of rates and rate changes that would increase the level of rates that it charges for providing service to its customers. If the proposed tariff supplement were to become effective, Columbia would have benefitted from an opportunity to recover an annual increase in base rate revenues of \$46.2 million from its customers. This represents an approximate 8.63% increase in Columbia's annual revenues at present rates. Under the Company's proposal, the total bill for a residential

customer who purchased 69 therms of gas per month would increase by \$7.78, from \$90.04 to \$97.82. Columbia also proposed to increase the residential customer charge from \$16.75 to \$20.60 per month. Columbia provides natural gas service to approximately 417,000 residential, commercial, and industrial customers in portions of 26 counties in western, northwestern, central, and southern Pennsylvania.

On March 25, 2014, the OCA filed a Formal Complaint and Public Statement. On March 27, 2015, Shipley Energy, Interstate Gas Supply, and Dominion Retail filed a Petition to Intervene (NGS Parties). On April 7, 2015, the Bureau of Investigation & Enforcement (I&E) filed a Notice of Appearance. On April 8, 2015, the Coalition for Affordable Utility Services and Energy-Efficiency in Pennsylvania (CAUSE-PA) filed a Petition to Intervene. On April 10, 2015, The Pennsylvania State University (PSU) filed a Formal Complaint. Also on April 10, 2015, the Office of Small Business Advocate (OSBA) filed a Formal Complaint and Public Statement. On April 14, 2015, the Columbia Industrial Intervenors (CII) filed a Formal Complaint.

The proceeding was assigned to Administrative Law Judge Mary D. Long. By Order entered April 9, 2015, the Commission suspended the implementation of Supplement No. 226 until December 18, 2015, and instituted an investigation into the lawfulness, justness, and reasonableness of the rates, rules, and regulations proposed in Supplement No. 226. A prehearing conference was held on April 16, 2015, and a litigation schedule was adopted.

The OCA conducted extensive discovery and submitted the testimony of the following witnesses in this proceeding:

Lafayette K. Morgan

OCA Statement No. 1-Revised – Revised Direct Testimony (7/1/15)

OCA Statement No. 1-S – Surrebuttal Testimony (7/28/2015)

Aaron L. Rothschild

OCA Statement No. 2 – Direct Testimony (6/19/2015)

OCA Statement No. 2-S – Surrebuttal Testimony (7/28/2015)

Jerome D. Mierzwa

OCA Statement No. 3 – Direct Testimony (6/19/15)

OCA Statement No. 3-R – Rebuttal Testimony (7/16/2015)

OCA Statement No. 3-S – Surrebuttal Testimony (7/28/15)

Roger D. Colton

OCA Statement No. 4 – Direct Testimony (6/19/2015)

OCA Statement No. 4-R – Rebuttal Testimony (7/16/2015)

OCA Statement No. 4-S – Surrebuttal Testimony (7/28/2015)

The parties to this proceeding agreed to stipulate to the admission of the OCA's testimony into the record, and the testimony was admitted at the evidentiary hearing on August 4, 2015.

Pursuant to the Commission's policy of encouraging settlements that are in the public interest, the OCA, I&E, OSBA, CAUSE-PA, CII, NGS Parties, PSU, and Columbia (Joint Petitioners) held numerous settlement conferences. These discussions resulted in this proposed Settlement.¹ As discussed below, the OCA submits that the proposed Settlement is in the public interest.

II. TERMS AND SETTLEMENT

A. Revenue Requirement (Settlement ¶ 46)

The proposed Settlement provides for an overall distribution base rate increase of \$28 million, about \$18.2 million less than the rate increase amount originally requested by Columbia of \$46.2 million. Settlement ¶ 46. This rate increase reflects an increase in overall revenues of approximately 5.18% as compared to the Company's original request for an 8.63% increase in overall revenues. The Settlement provides that the increase will not go into effect before December 18, 2015, the end of the suspension period. Settlement ¶ 56.

¹ Joint Petitioners have reserved for litigation the issue of whether the Company should immediately end its practice of recovering \$375,000 through the Rider USP to partially fund its Hardship Fund. The OCA will submit its Main Brief on this issue on August 27, 2015.

Based on the OCA's analysis of the Company's filings, testimony by all parties, and discovery responses received, the rate increase under the proposed Settlement represents a result that would be within the range of likely outcomes in the event of full litigation of the case. The OCA submits that the increase is appropriate and, when accompanied by other important conditions contained in the Settlement, yields a result that is just and reasonable.

B. Residential Customer Charge (Settlement ¶ 57)

In its filing, Columbia proposed to increase the residential customer charge from \$16.75 to \$20.60 per month. Since 2010, Columbia's residential customer charge has increased from \$11.50 to \$16.75, which is a 46% increase. OCA St. 3 at 34-35. The OCA opposed any additional increase to the residential customer charge and submitted evidence that demonstrated that the cost of connecting and maintaining a residential customer's account does not support increasing the monthly residential customer charge. See OCA St. 3 at 36-37.

Consistent with the OCA's position, under the terms of the proposed Settlement, the residential customer charge will remain at the current level of \$16.75 per month. Applying 100% of the rate increase to the volumetric charges is in the interest of residential customers because it allows customers – and low income customers, particularly – to control the volumetric portion of their distribution bill through usage reduction measures. OCA St. 4 at 17-22. Additionally, applying the entire rate increase to the volumetric charges promotes the Commission's general goal of encouraging energy conservation because higher volumetric charges provide an incentive to all residential customers to use less energy. OCA St. 3 at 37.

Maintaining the current customer charge also recognizes that Columbia has other mechanisms to address risk, in particular, the Weather Normalization Adjustment. See OCA St. 3 at 35.

C. Revenue Allocation (Settlement ¶ 59; Appendix A)

In its filing, Columbia proposed to allocate approximately \$35.7 million of its proposed \$46 million revenue increase to residential customers. Under the revenue allocation agreed to by the Joint Petitioners, the residential class would receive approximately \$20.34 million of the \$28 million increase. See Settlement Appendix A. Under the Settlement, the revenue increase allocated to the residential class is approximately \$15 million less than that proposed by the Company. If the Settlement is approved, the average total monthly bill for a residential customer using 73 therms per month would be \$98.42, as opposed to \$101.94, which would be the average bill under Columbia's proposal.

Based on the OCA's analysis of the Company's filing and discovery responses received, the revenue allocation under the proposed Settlement represents a result that would be within the range of likely outcomes in the event of full litigation of the case. Several parties, including the OCA, I&E, OSBA, PSU and the Company, provided proposed varied revenue allocations, and the revenue allocation provided in Appendix A represents a compromise of a contentious issue. The revenue allocation yields a result that is just and reasonable under the circumstances of this case.

D. Distribution System Improvement Charge (DSIC) (Settlement ¶ 47)

The Settlement provides that, as of the effective date of rates in this proceeding, Columbia will be eligible to include plant additions in the DSIC once eligible account balances exceed the levels projected by Columbia at December 31, 2016, the end of the fully forecasted future test year. The foregoing provision is included solely for purposes of calculating the DSIC, and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a Fully Projected Future Test Year filing.

Because the revenue requirement was settled, ratepayers benefit from using the year-end balance because the Company must realize a higher level of plant investment before any incremental expenditures can be recovered through a DSIC.

E. Emergency Repair Program (Settlement ¶ 63)

The Settlement adopts Columbia's proposals to increase funding for its Emergency Repair Program (ERP) from \$500,000 to \$600,000, recover its ERP costs through the Rider USP, and expand the income eligibility for the ERP from 150% to 200% of the Federal Poverty Limit (FPL). Settlement ¶ 63. The ERP is a program that assists low income customers with repairing or replacing heating systems and water tanks to maintain heat in the home. See Columbia St. 12 at 10. The OCA supported the Company's proposals regarding the ERP in this proceeding. See OCA St. 4 at 28-31. OCA witness Roger D. Colton testified to the dangers associated with broken and inoperable natural gas equipment, and to the need for and benefit of Columbia's ERP. See OCA St. 4 at 27-32. Specifically, Mr. Colton testified that house fires and deaths are often associated with inoperable heating systems. Id. at 30. Mr. Colton also explained that low-income customers with broken heating systems often turn to portable electric heaters to heat their homes, which in turn affects their ability to afford and maintain electric service. Id. at 28. Mr. Colton testified that households with incomes between 150% and 200% of the FPL have need for such programs as the ERP, and that it is appropriate to extend the income eligibility from 150% to 200% of the FPL. See OCA St. 4 at 30-31. Because the consequences of a home having an inoperable heating system are severe, expanding the ERP pursuant to the terms of the Settlement is in the interest of the public interest, and in the interests of low-income residential customers in particular.

F. Universal Service Advisory Committee (Settlement ¶ 65)

In this proceeding, OCA witness Roger D. Colton testified that he shares the concern of CAUSE-PA witness Mr. Miller that Columbia's outreach for its universal service programs is inadequate. OCA St. 4-R at 4-5. CAUSE-PA also raised concerns with Columbia's coordination between the Company's universal service programs. See CAUSE-PA St. 1 at 14-16. In part to address these concerns, the Settlement establishes a Universal Service Advisory Committee and commits the Company to holding two meetings each year. Settlement ¶ 65. The Universal Service Advisory Committee will be open to all interested parties, community partners, and representatives of other public utilities in the region. Id. The OCA submits that a Universal Service Advisory Committee should promote the success of the universal service programs by creating the opportunity for interested parties and community agencies to provide guidance and feedback to Columbia regarding its universal service programs, including outreach efforts and coordination between programs.

G. Programs to Expand the Availability of Gas Service (Settlement ¶ 69)

In this proceeding, Columbia proposed to modify its current extension tariff to provide allowances of 150 feet of mains and 150 feet of Company-owned service lines to residential customers without charge, and up to \$1,000 for reimbursement per residential customer for the cost of house piping for extensions projects that have a net present value greater than \$1,000 per customer. OCA St. 3 at 40. Columbia stated that these modifications to its current extension tariff should better promote main expansions in its service territory because the costs to consumers desiring to extend natural gas service to their homes will be reduced. See Columbia St. 14 at 4-5.

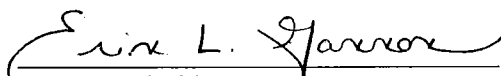
The Settlement adopts Columbia's proposed modifications to its extension tariff. Settlement ¶ 69. In the OCA's view, these modifications will help to reduce the cost barrier that

prevents many residential customers from extending natural gas mains to their homes. See OCA St. 3 at 40-41. The OCA recommended, however, that the Company collect and compare data under the existing tariff and new tariff in order to assess the effectiveness of the modified tariff. Id. at 41-42. The OCA identified ten reporting requirements that it recommended that Columbia provide to the OCA, I&E, OSBA and other interested parties on an annual basis. Id. The Settlement adopts nine of the OCA's recommended reporting requirements. See Settlement ¶ 69. The data collected by the Company should provide Columbia and other parties with information that can be used to continue to refine main extension programs and tariffs that best encourage consumers to extend natural gas service to their homes and businesses throughout Pennsylvania.

III. CONCLUSION

For the foregoing reasons, the Office of Consumer Advocate submits that terms and conditions of the proposed Settlement are in the public interest and the interest of Columbia Gas of Pennsylvania's ratepayers and should be approved.

Respectfully submitted,



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Date: August 27, 2015
211529

Appendix G

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos. R-2015-2468056
Office of Consumer Advocate	:	C-2015-2473682
Office of Small Business Advocate	:	C-2015-2477816
Pennsylvania State University	:	C-2015-2476623
Columbia Industrial Intervenors	:	C-2015-2477120
G. Thomas Smeltzer	:	C-2015-2482395
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc.	:	

**STATEMENT OF THE OFFICE OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF THE JOINT PETITION FOR PARTIAL SETTLEMENT**

I. INTRODUCTION

The Small Business Advocate is authorized and directed to represent the interests of small business consumers in proceedings before the Pennsylvania Public Utility Commission ("Commission") under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. In order to discharge this statutory duty, the Office of Small Business Advocate ("OSBA") is participating as a party to this proceeding to ensure that the interests of small commercial and industrial ("Small C&I") customers of Columbia Gas of Pennsylvania, Inc. ("Columbia" or the "Company") are adequately represented and protected.

II. PROCEDURAL BACKGROUND

On March 19, 2015, Columbia filed Supplement No. 226 to Tariff Gas – Pa. P.U.C. No. 9 ("Supplement No. 226") with the Commission, seeking an increase in revenues of \$46.2 million, an 8.63% increase. On April 9, 2015, the Commission

issued an Order initiating an investigation of Columbia's proposed rate increase and suspending Columbia's Supplement No. 226 until December 18, 2015, unless otherwise directed by Commission Order

Complaints were filed by the OSBA, the Office of Consumer Advocate ("OCA"), the Pennsylvania State University ("PSU"), the Columbia Industrial Intervenors ("CII") and individual complainant G. Thomas Smeltzer. The Commission's Bureau of Investigation and Enforcement ("I&E") entered a notice of appearance in the proceeding, and interventions were filed by the Natural Gas Supplier parties ("NGS parties"), CAUSE-PA, and RESA.

A Prehearing Conference was held on April 16, 2015, before Administrative Law Judge ("ALJ") Mary D. Long, at which time the parties agreed upon a procedural schedule and discovery modifications.

Subsequently, the parties engaged in extensive formal and informal discovery.

The Parties filed direct, supplemental direct (PSU), revised direct (I&E, NGS parties), rebuttal, supplemental rebuttal (Columbia), and surrebuttal testimony of their witnesses. The Company filed rejoinder testimony.

On July 31, 2015, PSU filed a Motion for Leave to Amend Complaint.

On Columbia's Motion, the ALJ issued a Protective Order on August 3, 2015.

On August 4, 2015, an evidentiary hearing was held for the purpose of submitting testimony and exhibits for the record by stipulation. The parties waived cross-examination of all witnesses with the exception of the testimony and exhibits of Columbia witnesses Mark Kempic, Nicole Paloney, Nancy Krajovic, Michael Davidson and Michael Anderson and PSU witnesses James

Crist and Michael Prinkey. Cross examination of these witnesses was scheduled for August 10, 2105, and was to be limited to issues raised in PSU's amended complaint and the proposed abandonment of a Columbia transmission line referred to as the "Snowshoe Lateral." Columbia filed an Answer to PSU's Amended Complaint on August 7, 2015.

Also on August 7, 2015, I&E filed a Motion in Limine to limit the issues for briefing regarding the Hardship Fund.

On August 7, 2015, Columbia and PSU informed the ALJ that they had reached an agreement to separate from this proceeding the issues raised in Penn State's Amended Complaint and the issue of abandonment of the Snowshoe Lateral in part and abandonment of service to certain customers. PSU and Columbia agreed to exclude from this proceeding all testimony and exhibits concerning the Snowshoe Lateral. Columbia will file an abandonment proceeding, and Columbia and PSU have agreed to jointly request consolidation of the application for abandonment with the separated proceeding. Columbia and PSU's agreement is set forth in the Joint Petition for Settlement and Separation of Complaint filed on August 27, 2015, at Docket No. C-2015-2476623.

The second day of hearings was held on August 10, 2015 for the purpose of admitting by stipulation the testimony and exhibits of Columbia witnesses Kempic, Paloney, Krajovic and Davidson and PSU witness Crist into the record, with all references to the Snowshoe Lateral issues removed. Oral argument was also held on I&E's Motion in Limine, which the ALJ denied.

The Joint Petitioners held numerous settlement discussions over the course of this proceeding. As a result of those discussions and the efforts of the Joint Petitioners to examine the issues in the proceeding, the Joint Petitioners have been able to agree to a Partial Settlement covering all but one issue in the proceeding, that issue being the Hardship Fund/USP Rider .

The OSBA actively participated in the negotiations that led to the proposed settlement, and is a signatory to the Joint Petition For Partial Settlement ("Joint Petition"). The OSBA submits this statement in support of the Joint Petition.

III. STATEMENT IN SUPPORT OF JOINT PETITION

In its prehearing memorandum, the OSBA raised the usual concerns whether the proposed rate increase was just and reasonable with respect to small business ("Small C&I") customers. As discussed in more detail below, the Joint Petition adequately addresses these concerns, and provides a just and reasonable outcome to a multifaceted case. Specifically, the parties reached an agreement on a revenue increase of \$28.0 million in annual base rate operating revenues instead of the Company's filed increase request of approximately \$46.2 million. Upon approval of the Joint Petition, Columbia will receive an increase in existing base rate operating revenues of approximately 5.18%, instead of the 8.63% increase proposed in the filing. As a result of this outcome, and of other outcomes listed below, the OSBA concludes that the Joint Petition is in the best interests of the Company's Small C&I customers.

In its testimony, the OSBA addressed the issues of cost allocation, revenue allocation, rate design, and Columbia's customer contribution policy.

1. Cost Allocation

In its filing, Columbia presented three allocated cost of service studies ("ACOSS"), a CD ("Customer Demand") ACOSS, a P&A ("Peak and Average") ACOSS, and a third ACOSS averaging the previous two studies.¹ The OSBA recommended that the Company further refine its cost allocation methodology in future rate cases,² and that it correct certain errors in its studies.³ These errors were corrected by the Company.

The OSBA expressed certain concerns regarding the Company's proposed increases to the SGSS/SCD/SGDS customer charges, with respect to (a) the calculation methodology for customer-related costs in the Company's cost allocation study that includes a customer component of mains costs, and (b) the fact that an increase to the customer charge is not justified if the Commission approves a cost allocation methodology in which no customer component is applied to mains costs. As Commission precedent generally rejects the inclusion of a customer component for mains costs for gas utility cost allocation, and because the settlement revenue allocation for the SGS classes is more consistent with such a cost allocation method, the settlement reasonably imposes no increase to the customer charges for that class. (Joint Petition, ¶ 59).

¹ Company Exhibit 111, Schedules 1,2,3.

² OSBA Statement No. 1, Direct Testimony of Robert D. Knecht at 13-15.

³ OSBA Statement No. 1, Direct Testimony of Robert D. Knecht at 24-27; OSBA Statement No. 3, Surrebuttal Testimony of Robert D. Knecht at 4.

2. Revenue Allocation

The Joint Petition represents a reasonable balancing of the positions of the various parties, including a recognition that customers subject to negotiated rates cannot contribute to the rate increase. The OSBA also notes that the shortfall from negotiated rate customers continues to be exacerbated by the Commission's failure to get rid of the "gas on gas competition" policy, which continues to unfairly push costs on smaller firm service ratepayers.

3. Rate Design

The Company proposed and the OSBA agreed that it was reasonable to bifurcate both the customer charge and the commodity charge for the SGSS/SCD/SGDS classes between smaller and larger customers within the class. The OSBA testimony recommended that this approach suggests that costs should be separately allocated to the two sub-classes of customer,⁴ and, in its rebuttal testimony, the Company agreed to evaluate such an approach.⁵

4. Customer Contribution Policy

Mains Extension Policy: The Company proposes to abandon its economic test for certain new residential attachments and to generally shift cost responsibility for attaching new residential customers from those customers to all existing customers, including both residential and non-residential customers. The settlement accepts the Company's

⁴ OSBA Statement No. 1, Direct Testimony of Robert D. Knecht at 21-27.

⁵ Columbia Statement No. 111-R, Rebuttal Testimony of Mark Balmert at 37.

proposal, subject to detailed reporting requirements. (Joint Petition at ¶ 70). While the OSBA retains significant concerns regarding the fairness of this policy on both an “existing versus new customer” basis and on an inter-class basis, the OSBA concludes that the reporting requirements will allow OSBA to evaluate the impact of this proposal on small business customers in the Company’s next base rates case. The OSBA therefore agreed to this provision in order to achieve settlement.

5. Judicial Efficiency

Lastly, settlement of this proceeding avoids the litigation of competing proposals and saves the possibly significant costs of further administrative proceedings. Such costs are borne not only by the Joint Petitioners, but ultimately by the Company’s customers as well. Avoiding further litigation of this matter will serve judicial efficiency, and will allow the OSBA to more efficiently employ its resources in other areas.

IV. CONCLUSION

For the reasons set forth in the Joint Petition, as well as the additional factors enumerated in this statement, the OSBA supports the proposed Joint Petition and respectfully requests that ALJ Long and the Commission approve the Joint Petition in its entirety without modification.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Asmus". The signature is written in a cursive style with a large initial "D".

Daniel G. Asmus, Esq.
Assistant Small Business Advocate
Attorney ID No. 83789

For:

John R. Evans
Small Business Advocate

Office of Small Business Advocate
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Dated: August 27, 2015

Appendix H

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2015- 2468056
	:	
Columbia Gas of Pennsylvania, Inc.	:	

**STATEMENT IN SUPPORT OF THE
COLUMBIA INDUSTRIAL INTERVENORS**

The Columbia Industrial Intervenors ("CII"), by and through its counsel, submit that the Joint Petition for Settlement ("Joint Petition" or "Settlement"), filed in the above-captioned proceeding with the Pennsylvania Public Utility Commission ("PUC" or "Commission"), reflects a settlement among the Joint Petitioners with respect to Columbia Gas of Pennsylvania, Inc.'s ("Columbia" or "Company"), March 19, 2015, filing of Supplement No. 226 to Tariff Gas – Pa. P.U.C. No. 9, which sought to increase Columbia's total annual operating revenues by \$46.2 million. As a result of settlement discussions, Columbia, CII, the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), the PUC Bureau of Investigation and Enforcement ("I&E"), Dominion Retail, Inc. ("Dominion"), Shipley Energy Company ("Shipley"), Interstate Gas Supply, Inc. ("IGS"), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), and Retail Energy Supply Association ("RESA") (collectively, "Parties" or "Joint Petitioners") have agreed upon the terms embodied in the foregoing Joint Petition.¹ CII offers this Statement in Support to further demonstrate that the Settlement is in the public interest and should be approved without modification.

¹ The Pennsylvania State University ("PSU"), a party to the above-referenced proceeding, has indicated that it does not oppose the Joint Petition, provided that the "Joint Petition for Settlement Removing PSU Amended Complaint Issues from Base Rate Proceeding to a Separate Proceeding to Be Consolidated with a Future Columbia Application

I. BACKGROUND

1. On March 19, 2015, Columbia filed Supplement No. 226 to Tariff Gas – Pa. P.U.C. No. 9 ("Supplement No. 226"), which contained proposed changes in rates, rules, and regulations calculated to produce approximately \$46.2 million, or 8.63%, in additional revenues.

2. On April 14, 2015, CII submitted a Complaint at Docket No. C-2015-2477120. As noted in Paragraph 5 of CII's Complaint, CII members receive service from Columbia and use substantial volumes of natural gas in their operations. As a result, CII members were concerned that the proposed increase may have an adverse impact upon their operational processes.

3. A Prehearing Conference was held on April 16, 2015, before presiding Administrative Law Judge ("ALJ") Mary D. Long, at which the time the procedural schedule was established. Pursuant to that Schedule, CII submitted the following: Direct Testimony of Frank Plank, CII Statement No. 1. Specifically, CII responded to Columbia's proposed cost allocation to the Large Distribution Service ("LDS") rate class, which did not account for the impact of substantial gas volumes within the LDS class subject to negotiated "flexed" rate agreements. Given that customers with negotiated rates are not subject to an increase in base rates, Rate LDS customers without flexed rate agreements, including CII member Knouse Foods Cooperative, Inc., would have received an increase far higher than the Company's stated overall base rate increase for the LDS rate class. CII further addressed Columbia's proposed Choice Administration Charge ("CAC").

4. On or about August 3, 2015, the Parties informed the ALJ that a settlement in principle had been reached on a number of issues in this proceeding. A hearing was held on

to Abandon the Snowshoe Lateral in Part and Service to Certain Customers," filed contemporaneously with the Joint Petition in Docket No. C-2015-2476623, is approved by the Commission without modification.

August 4, 2015, at which time all parties' testimony was entered into the evidentiary record with the exception of Columbia witnesses Kempic, Paloney, Krajovic, Davidson, and Anderson; and PSU witnesses Crist and Prinkey. The Parties waived cross-examination of all witnesses. A subsequent hearing was held on August 10, 2015, at which time all remaining witnesses' testimony was entered in the evidentiary record.

5. On or about August 18, 2015, the Parties informed the ALJ that the only remaining issue to briefed in this proceeding is whether Columbia should end immediately its recovery of \$375,000 through its Rider USP, which is used as part of the funding of its Hardship Fund. The ALJ directed the Joint Petitioners to submit the Joint Petition and accompanying Statements in Support by August 27, 2015.

II. STATEMENT IN SUPPORT

6. The Commission has a strong policy favoring settlements. As set forth in the PUC's regulations, "[t]he Commission encourages parties to seek negotiated settlements of contested proceedings in lieu of incurring the time, expense and uncertainty of litigation." 52 Pa. Code § 69.391; *see also* 52 Pa. Code § 5.231. Consistent with the Commission's Policy, the Joint Petitioners engaged in negotiations to resolve the issues raised by various parties. These ongoing discussions produced the foregoing Settlement.

7. The Joint Petitioners agree that approval of the proposed Settlement is in the best interest of the parties involved.

8. The Joint Petitioners agree that the Company should be authorized to file a tariff supplement containing the rates set forth in the Joint Petition.

9. The Joint Petitioners agree that the \$28 million rate increase achieved in the Joint Petition is just, reasonable, and in the public interest.

10. The Joint Petitioners agree that this resulting rate increase should be allocated pursuant to the terms of the Settlement.

11. The Joint Petition is in the public interest for the following reasons:

- a. As a result of the Joint Petition, expenses incurred by the Joint Petitioners and the Commission for completing this proceeding will be less than they would have been if the proceeding had been fully litigated.
- b. Uncertainties regarding further expenses associated with possible appeals from the Final Order of the Commission are avoided as a result of the Joint Petition.
- c. The Joint Petition results in an increase in Columbia's rates by \$28 million, which is approximately 60.6% of the Company's original request of \$46.2 million.
- d. The Joint Petition provides a just and reasonable means by which to allocate the resulting increase.
- e. The Joint Petition reflects compromises on all sides presented without prejudice to any position any Joint Petitioner may have advanced so far in this proceeding. Similarly, the Joint Petition is presented without prejudice to any position any party may advance in future proceedings involving the Company.

12. In addition, the Joint Petition specifically satisfies the concerns of CII by: (1) lowering the revenue increase amount by approximately 39.4%; (2) reasonably allocating the proposed increase among the customer classes; and (3) eliminating the proposed CAC.

13. CII supports the foregoing Joint Petition because it is in the public interest; however, in the event that the Joint Petition is rejected by the ALJ or the Commission, CII will resume its litigation position, which differs from the terms of the Joint Petition.

14. As set forth above, CII submits that the Settlement is in the public interest and adheres to Commission policies promoting negotiated settlements. The Settlement was achieved after numerous settlement discussions. Although Joint Petitioners have invested time and resources in the negotiation of the Joint Petition, this process has allowed the parties, and the Commission, to avoid expending the substantial resources that would have been required to fully


litigate this proceeding while still reaching a just, reasonable, and non-discriminatory result. Joint Petitioners have thus reached an amicable solution to this dispute as embodied in the Settlement. Approval of the Settlement will permit the Commission and Joint Petitioners to avoid incurring the additional time, expense, and uncertainty of further current litigation of a number of major issues in this proceeding. *See* 52 Pa. Code § 69.391.

III. CONCLUSION

WHEREFORE, the Columbia Industrial Intervenors respectfully request that the Administrative Law Judge and the Commission approve the Joint Petition for Settlement without modification.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

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Counsel to the Columbia Industrial Intervenors

Dated: August 27, 2015

Appendix I

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	
et al.,	:	
	:	
v.	:	Docket No.: R-2015-2468056
	:	
Columbia Gas of Pennsylvania, Inc.	:	

**NATURAL GAS SUPPLIER PARTIES’
STATEMENT IN SUPPORT OF SETTLEMENT**

AND NOW, come Dominion Retail, Inc. d/b/a/ Dominion Energy Solutions, Interstate Gas Supply, Inc. d/b/a IGS Energy and Shipley Choice LLC d/b/a Shipley Energy (collectively “NGS Parties”) and hereby submit their Statement in Support of the Joint Petition for Partial Settlement (“Settlement”) being filed simultaneously herewith. The NGS Parties respectfully submit that the Settlement is in the public interest and should be approved by the Pennsylvania Public Utility Commission (“Commission”) as presented. In support thereof, the NGS Parties state as follows:

I. BACKGROUND

1. On March 19, 2015 Columbia Gas of Pennsylvania (“Columbia”) filed Supplement No. 226 to its Tariff Gas Pa. P.U.C. No. 9, seeking to increase revenues by approximately \$46.2 million. As part of the proceeding, Columbia sought, *inter alia*, to lower the amount for costs of natural gas procurement taken out of its base rates through its gas procurement charge (“GPC”) as required by the Commission’s regulations at 52 Pa. Code § 62.223. Columbia also proposed a Choice Administrative Charge (“CAC”), claiming to further unbundle costs allegedly associated with CHOICE customers.

2. In their Petition to Intervene, the NGS Parties identified the GPC and CAC proposed by Columbia as the most significant issues in the case. Subsequently, through the testimony of witnesses, Thomas J. Butler, Matthew Sommer, and Matt White, the NGS Parties raised additional issues, including: 1) Columbia's unnecessarily high and/or punitive charges for transportation and choice under and over-deliveries; 2) several problematic tariff requirements such as the inability to have different customer classes in the same nomination group; and 3) several business practice concerns.

II. SETTLEMENT

3. The Joint Petition for Settlement proposes to retain the same GPC of \$.0695 per dekatherm that was approved by the Commission in Columbia's last rate case. (Settlement, ¶ 62). While the settlement GPC amount is significantly less than the amount proposed in the testimony of the NGS Parties' witness, it nonetheless is acceptable to the NGS Parties. This is particularly true, because as part of the Settlement, there is agreement that neither Columbia, the NGSs, nor any other party will propose a different GPC amount for the next two rate cases, or five years, whichever comes first. This "stayout" provision also applies to the CAC that is addressed in the subsequent paragraph. (Settlement, ¶ 63).

4. The Joint Petition for Settlement does not include a CAC. (Settlement, ¶ 61). NGS Parties strongly opposed introduction of a CAC through testimony, and the absence of a CAC is satisfactory to the NGS Parties. As noted above, Columbia has agreed to not propose a CAC in its next two base rate cases, or 5 years, whichever comes first.

5. The Settlement also addresses the NGS Parties' concerns over the penalties for transportation and CHOICE under/over deliveries. As part of the Settlement, Columbia has agreed to modify the following penalties:

a) The current penalty for failure to deliver in accordance with the Choice Daily Delivery requirement on non-Operational Flow Order (“OFO”) days will be reduced from \$23.30 per Dth, to \$20.80 per Dth. (Settlement, ¶ 71).

b) The current penalty for failure to deliver in accordance with the Choice Daily Delivery requirement on OFO days will be reduced from \$46.60 per Dth to \$41.60 per Dth. (Settlement, ¶ 72).

c) The current Elective Balancing Service (“EBS”) under-deliveries and over-deliveries tariff language will be modified to the following:

1) Consumption in Excess of Deliveries (under-deliveries):

The price for such imbalance gas shall be sold by the Company at the higher of:

i. a price equal to 120% of the average of the Daily Index prices for each day of the applicable month as reported in the PLATTS GAS DAILY publication, in the **Daily price survey** section under the heading “**Appalachia**” for “Columbia Gas, App.” **Midpoint**, plus the 100% load factor TCO FTS costs (including demand, commodity and retainage), or

ii. the highest commodity cost of purchases by the Company during the calendar month, including the delivered cost of purchases at the city gate, if any excluding any purchases under fixed price commodity contracts for which the price was determined more than thirty days before the beginning of the calendar month.

In addition, applicable taxes and Company transportation shall apply. Furthermore, if, in any month, Company incurs other charges, including gas costs, penalty charges or cash-outs caused by excess monthly under deliveries, the Customer or NGS shall be charged its pro rata share of such charges.

2) Deliveries in Excess of Consumption (over-deliveries):

The price for such imbalance gas shall be purchased by the Company at the lower of:

i. a price shall be equal to 80% of the average of the Daily Index prices for each day of the applicable month as reported in the PLATTS GAS DAILY publication, in the **Daily price survey** section under the heading “**Appalachia**” for “Columbia Gas, App.” **Midpoint**, or

ii. the lowest commodity cost of purchases by the Company during the calendar month, including the delivered cost of purchases at the City Gate, if any excluding any purchases under fixed price commodity contracts for which the price was determined more than thirty (30) days before the beginning of the calendar month.

In addition, if, in any month, Company incurs other charges, including gas costs, penalty charges or cash-outs caused by excess monthly over deliveries, the Customer or NGS shall be charged its pro rata share of such charges.

(Settlement, ¶ 74).

d) The current OFO/Operational Matching Order (“OMO”) penalty will be reduced as well, from \$23.30 per Dth, to \$20.80 per Dth. (Settlement, ¶ 75).

6. As part of the Settlement, Columbia also has agreed to modify some of its practices to make NGS operations on its system more efficient. These changes include:

a) Columbia will allow Priority 1 and non-Priority 1 customers to be in the same nomination group within the same market area. (Settlement, ¶ 76). The change decreases the complexity of serving customers and provides suppliers more flexibility.

b) Columbia will continue its current practice that allows General Distribution Service (“GDS”) Customers and/or GDS NGS’ to transfer gas across contiguous, non-constrained market areas. (Settlement, ¶ 77).

c) Columbia will change the deadline for bank balance transfers from the first business day following the last day of the calendar month in which the trade is to apply, to the third business day following the last day of the calendar month in which the trade is to apply. This change, while seemingly simple, will ensure that there is sufficient time for suppliers to meaningfully reduce imbalances. (Settlement, ¶ 78).

d) Columbia will update the Customer Information List before the start of the effective month. (Settlement, ¶ 79).

e) Columbia will review its training and processes for managing instances in which it becomes aware of discrepancies between a name on a customer account and a different customer name provided to the Company, with the intent to minimize any potential delay in switching a customer to an NGS, recognizing the Company's authority to require security deposits in appropriate circumstances. The Company shall discuss the results of its review with the NGS Parties. (Settlement, ¶ 80).

f) In addition, in 2016, Columbia will develop and implement a notice in its Aviator system to notify an NGS if its scheduled nomination for its CHOICE deliveries does not comply with its daily delivery requirement. While the NGS will be able to proceed with its scheduled nomination, the NGS will need to affirmatively elect to proceed before submitting the nomination. (Settlement, ¶ 73). This safeguard will reduce the possibility of inadvertent nomination errors.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

7. The NGS Parties believe and therefore, submit that this settlement is reasonable and in the public interest because it presents a stable, if not ideal GPC, one that continues to represent a closer estimate of the portion of the gas procurement charges incurred by the company in the provision of supplier of last resort service to customers who choose not to shop.

The GPC, even though less robust than that proposed by the NGS Parties, appropriately assigns costs required to procure the natural gas commodity for bundled Sales customers to the Price-to-Compare (“PTC”), thus allowing for a default service rate that more accurately reflects the costs of providing a retail natural gas service in the marketplace. Competitive parity is essential for robust natural gas competition to develop in Pennsylvania and for customers to receive the full benefits of competition.

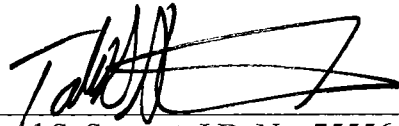
8. Moreover, the continued absence of a CAC charge for now and the foreseeable future is in the public interest because it does not further distort competition.

9. The many changes to the various penalties is something that the NGS Parties had advocated last year and failed to achieve. The changes are significant, in particular the movement to market based charges for certain electric balancing service over and under deliveries is vital in continuing to allow those charges to incentivize appropriate behavior while at the same time not imposing undue risk on suppliers. The other penalty reductions, while marginal, when coupled with other operational changes, will serve to further reduce the risk of unintentional mis-deliveries. Moreover, the changes to the various business practices will reduce the complexity and associated costs of serving customers on the Columbia system and will allow suppliers to provide better value for customers.

10. For all of these reasons, and because this case has been resolved in an acceptable fashion without the need for litigation and the incurrence of additional costs, the NGS Parties believe that this Settlement is in the best interest of all the Parties, is in the public interest, and is just and reasonable. The NGS Parties accordingly submit that it should be approved as presented.

WHEREFORE, the NGS Parties respectfully request the Honorable Presiding Administrative Law Judge and the Commission, approve the Joint Petition for Partial Settlement, as presented, and with all due haste.

Respectfully submitted,



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Dated: August 27, 2015

Appendix J

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	Docket No. R-2015-2468056
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc.	:	

**STATEMENT OF THE COALITION FOR AFFORDABLE UTILITY SERVICES
AND ENERGY EFFICIENCY IN PENNSYLVANIA (CAUSE-PA) IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT**

The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), one of the signatory parties to the Joint Petition for Settlement (“Joint Petition” or “Settlement”), respectfully requests that the terms and conditions of the Settlement be approved by the Honorable Mary D. Long, Administrative Law Judge, and the Pennsylvania Public Utility Commission (“Commission”). For the reasons stated more fully below, CAUSE-PA believes that the terms and conditions of the Settlement are in the public interest.

I. INTRODUCTION

CAUSE-PA intervened in this proceeding to address, among other issues, whether the proposed rate increase would detrimentally impact the ability of Columbia Gas of Pennsylvania, Inc.’s (“Columbia”) low-income customers to be able to continue to afford service under reasonable terms and conditions.

In a nutshell, the Settlement provides that the fixed charge portion of the residential rate structure will remain unchanged. It also provides that Columbia will establish a Universal Service Advisory Committee, which will meet twice annually to provide Columbia with

feedback and recommendations for how to improve Columbia's Universal Service coordination, outreach, and programming. Finally, Columbia will increase funding of its Emergency Repair Program (ERP) to \$600,000, and will make 10% of that funding available to individuals between 150% and 200% of the federal poverty level (FPL).

Although CAUSE-PA's positions have not been fully adopted, the Settlement was arrived at through good faith negotiation by all parties. The Settlement is in the public interest in that it addresses issues of concern to CAUSE-PA, balances the interests of the parties, and resolves a number of important issues fairly. Considerable litigation and associated costs will be avoided; and if approved, the Settlement will eliminate the possibility of further litigation and appeals, along with their attendant costs.

II. BACKGROUND

CAUSE-PA adopts that background as set forth in Paragraphs 1-42 of the Joint Petition for Settlement.

III. CAUSE-PA'S REASONS FOR SUPPORT OF THE SETTLEMENT

The following terms of this Settlement reflect a carefully balanced compromise of the interests of all the Joint Petitioners in this proceeding:

- Paragraph 58 confirms that the fixed residential customer charge will remain at the current \$16.75. This provision is critical to ensure that the burden of a rate increase does not disproportionately fall on low income residents, who use less energy on average than their non-low income counterparts. (CAUSE-PA St. 1, Miller, at 16-17). It also ensures that the rate structure does not undermine ratepayer investments in energy efficiency and weatherization through the Low Income Usage Reduction Program (LIURP), which is designed to reduce low income household usage and, in

turn, reduce the energy burden for low income customers. Mitchell Miller explained in his direct testimony:

Increasing the costs recovered through a fixed charge – as opposed to a volumetric based charge – undermines the ability for customers to reduce bills through conservation and consumption reduction. This is particularly problematic for low-income customers, given that low income households have significantly less budget elasticity than non-low-income households. ... [I]ncreasing the fixed charge that a residential customer must pay, without any link to customer's usage, ... blatantly undermine[s] the goals of the Low Income Usage Reduction Program (LIURP), which is designed to lower consumption and increase energy affordability for low income customers.

(CAUSE-PA St. 1, Miller, at 16).

- Paragraph 64 approves Columbia's proposal to increase the ERP annual budget to \$600,000, and provides that up to 10% of the ERP funds will be available for household between 151% and 200% FPL. As explained at length by Mr. Miller, many households in Columbia's service territory have income that is below the Self Sufficiency standard, meaning their income is insufficient to meet their basic needs, but are ineligible for assistance through traditional Universal Service programs. (CAUSE-PA St. 1, Miller, at 9-10). Expanding the eligibility for a portion of the ERP budgeted funds, while also expanding the overall budget for the program, will help families that fall within this penumbra without detracting from the assistance available to those at the bottom of the income scale (0-150% FPL) who are at the greatest risk of financial instability.
- Paragraphs 66-69 provide for the creation of a Universal Service Advisory Committee, which will convene twice annually with the express purpose of reviewing pertinent information about Columbia's Universal Service programs and providing feedback and recommendations for improvement. Columbia will invite interested parties, community partners, and representatives from other public utilities to attend. In

particular, pursuant to paragraph 67, Columbia will begin tracking all cancellations and denials of LIHEAP and ERP applicants, and will share this information with the Committee. Tracking and sharing this previously unrecorded information will better inform the Committee's recommendations for programmatic improvement. Pursuant to paragraphs 68 and 69, Columbia will enhance its efforts to coordinate Universal Service programming, including pursuit of cross-program advertising, both internally within its program portfolio and externally with programs run by other utilities and the Department of Community and Economic Development. The Committee will be apprised of these efforts, and provided with an opportunity to provide additional feedback and recommendations for improvement.

While CAUSE-PA notes again that its positions have not been fully adopted, the Settlement was arrived at through good faith negotiation by all parties and represents a fair and balanced resolution of a number of important issues. Thus, when taken together, the provisions of this settlement are in the public interest, and should be approved by the Commission in full.

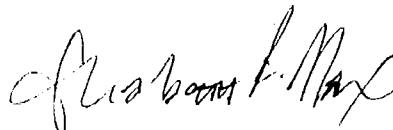
IV. CONCLUSION

CAUSE-PA submits that the Settlement, which was achieved by the Joint Petitioners after an extensive investigation of Columbia's filing, is in the public interest. Acceptance of the Settlement avoids the necessity of further administrative and possible appellate proceedings regarding the settled issues at a substantial cost to the Joint Petitioners and Columbia's customers.

Accordingly, CAUSE-PA respectfully requests that ALJ Long and the Commission approve the Settlement.

PENNSYLVANIA UTILITY LAW PROJECT

Date: August 27, 2015



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Appendix K

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos.	R-2015-2468056
Office of Consumer Advocate	:		
Office of Small Business Advocate	:		C-2015-2473682
Pennsylvania State University	:		C-2015-2477816
Columbia Industrial Intervenors	:		C-2015-2476623
G. Thomas Smeltzer	:		C-2015-2477120
	:		C-2015-2482395
v.	:		
	:		
Columbia Gas of Pennsylvania, Inc.	:		
	:		

**STATEMENT OF RESA IN SUPPORT OF
JOINT PETITION FOR PARTIAL SETTLEMENT**

TO ADMINISTRATIVE LAW JUDGE MARY D. LONG:

The Retail Energy Supply Association ("RESA"),¹ joins in this Joint Petition for Partial Settlement ("Settlement"). The Settlement should be approved by the Administrative Law Judge and the Pennsylvania Public Utility Commission ("Commission") for the following reasons:

1. The issues disposed of by this Settlement have been addressed in testimony submitted by Columbia Gas of Pennsylvania, Inc. ("Columbia"), public advocates and various intervenors. The terms of the Settlement are supported by the testimony entered into the record, and thus there is a sound evidentiary basis for the Settlement terms.

2. The Settlement terms are lawful and require Columbia to make numerous changes in the pro forma tariff it proposed in this proceeding.

¹ The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of more than twenty retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.

3. RESA intervened in this proceeding primarily due to its concerns with Columbia's proposal to institute a new Choice Administration Charge ("CAC"). The CAC was intended to be a per therm rate charged to Choice customers and included in the Pass-through Charge line item on customer bills. CAC costs were also to be charged to General Distribution Service ("GDS") customers as a fixed charge. These charges were described as a carve out of costs Columbia incurs to administer, enhance and maintain gas transportation programs.

4. The CAC was opposed in testimony by the Bureau of I&E, the NGS Parties and the Pennsylvania State University. Had this proceeding been fully litigated, RESA intended to oppose the CAC charges in brief, based on the record of this proceeding, legal arguments and ratemaking policy.


5. The Settlement requires withdrawal of the current CAC proposal and bars Columbia for a period of two base rate cases or five years, whichever occurs first, from proposing a CAC. This term of the Settlement essentially sustains RESA's litigation position, therefore it finds the Settlement to be in the public interest.

6. The costs of maintaining the availability of Columbia's system for the conduct of competition are part of the system-wide costs incurred to maintain a distribution system. Therefore costs such as those proposed to be collected through the CAC are more properly charged to all customers through distribution rates and not carved out for payment by shopping customers in the form of a CAC.

7. The Settlement provides a proper resolution of the CAC issue without incurrence of full litigation costs. And the withdrawal of the CAC is supported by substantial evidence in the record of this proceeding.

8. RESA respectfully requests that the Administrative Law Judge approve the Settlement reached by the Parties, and recommends the Settlement's adoption without modification by the Pennsylvania Public Utility Commission.

Dated: August 27, 2015



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