Appendix D

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2009-2149262
	:	
Columbia Gas of Pennsylvania, Inc.	:	

OFFICE OF TRIAL STAFF
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT

TO ADMINISTRATIVE LAW JUDGE WAYNE L. WEISMANDEL:

The Office of Trial Staff ("OTS") of the Pennsylvania Public Utility Commission, ("Commission") by and through Senior Prosecutor Charles Daniel Shields, Prosecutor Lawrence F. Barth and Chief Prosecutor Johnnie E. Simms hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Settlement of Rate Proceeding ("Settlement") are in the public interest and represent a fair, just, reasonable and equitable balance of the interests of Columbia Gas of Pennsylvania., Inc. ("Columbia" or "Company") and its customers.

1. All active parties to this proceeding participated in settlement discussions and as result, Columbia, the Office of Trial Staff ("OTS"), the Office of Small Business Advocate ("OSBA"), the Office of Consumer Advocate ("OCA"), Pennsylvania State University (PSU), Columbia Industrial Intervenors (CII), Dominion Retail, Inc., Interstate

Gas Supply, Shipley Energy Company, York Generation Company, and Hess Corporation have agreed upon the terms embodied in the foregoing Settlement.

2. The Office of Trial Staff' is charged with the representation of the public interest in proceedings relating to rates, rate-related services and application proceedings affecting the public interest held before the Commission. Consequently, in negotiated settlements, it is incumbent upon OTS to ensure that the public interest is served and to quantify to what extent amicable resolution of any such proceeding will benefit the public interest. OTS has met that responsibility here and has vigorously represented the public interest at all times during this base rate proceeding.

3. Prior to agreeing to the instant settlement, OTS conducted a thorough review of the Company's filing and supporting information, discovery responses, submitted filing data and participated in the settlement discussions among the parties. The provisions of this settlement represent a revenue increase that OTS agrees is just and reasonable and in the public interest, but is not based upon any specific adjustments or ratemaking approach, unless otherwise specifically noted.

4. On January 28, 2010, Columbia filed Supplement No. 144 to Tariff Gas Pa. P.U.C. No. 9, to become effective March 29, 2010, proposing an increase in annual revenues of $32.3 million, which represented a 6.9% increase over present revenues.

5. On February 4, 2010, OSBA filed a Formal Complaint and Notice of Appearance. On February 8, 2010, OCA filed a Formal Complaint and Notice of Appearance. Separate formal complaints against the proposed general rate increase were filed by three residential customers. On February 19, 2010 Dominion Retail, Inc.,

Interstate Gas Supply and Shipley Energy Company filed a Joint Petition to Intervene. On March 2, 2010, York Generation Company, LLC filed a Petition to Intervene. On March 29, 2010, OTS filed a Notice of Appearance and Pennsylvania State University filed a Formal Complaint. On April 1, 2010, Columbia Industrial Intervenors filed a Formal Complaint and Hess Corporation filed a Petition to Intervene.

6. By Order entered March 25, 2010, the Commission instituted an investigation to determine the lawfulness, justness and reasonableness of the proposed rates, rule and regulations, noting that formal complaints had been filed against the proposed increase. Pursuant to 66 Pa. C.S. §1308(d), Supplement No. 144 was suspended by operation of law on March 29, 2010, until October 29, 2010, unless permitted by Commission Order to become effective at an earlier date. Said Order provided that the case be assigned to the Office of Administrative Law Judge for the prompt scheduling of such hearings as may be necessary and culminating in the issuance of a Recommended Decision.

7. Presiding Administrative Law Judge Wayne L. Weismandel ("ALJ Weismandel") conducted the Prehearing Conference in this matter on April 9, 2010, with counsel for the active parties participating.

8. On March 4, 2010, ALJ Weismandel conducted a public input hearing in York. Pennsylvania. On March 5, 2010, Administrative Law Judge Robert P. Meehan ("ALJ Meehan") conducted a public input hearing in Pittsburgh, Pennsylvania.

9. Extensive and detailed written and informal discovery was conducted by each of the statutory parties, OTS, OSBA and OCA. The Company provided scores of

interrogatory responses throughout the course of the proceeding. OTS scrutinized the provided responses in order to develop a thorough perspective and understanding of each relevant base rate issue.

10. OTS considers Commission approval of the terms and conditions of the settlement to have the same effect as full and complete litigation and further recognizes that final resolution of this proceeding by approval of the settlement will result in Commission-made rates.

11. OTS agrees that the terms and conditions of the Settlement are in the public interest for a number of reasons, including that the settlement:

(a) provides for a level of additional operating revenues that OTS, as one of the Joint Petitioners, agrees is reasonable and lawful;

(b) avoids the necessity of further administrative and possible appellate court proceedings, which would have been at substantial cost to the involved parties and the Company's ratepayers and thereby conserves time and expenses for all involved;

(c) provides for an annual reduction of $3,748,763 to the Company's claimed income tax expense resulting from the agreement to amortize a $37,487,634 tax refund attributable to the Company's change in method for ratemaking purposes over a ten-year period commencing with the effective date of rates in this proceeding;

(d) provides for the withdraw of the Company's Rider DSIC proposal, while allowing Columbia to again propose such a rider if authorized by the General Assembly and reserving the other parties rights to oppose or otherwise participate in any such subsequent filing;

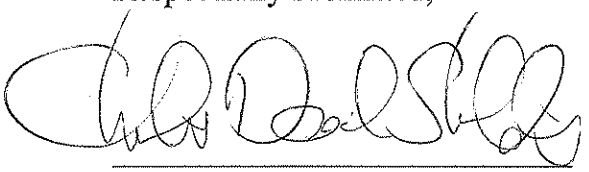
(e) provides, consistent with the OTS recommendation in this proceeding, that Columbia will withdraw the proposed Home Energy Efficiency Program ("HEEP"), with the proviso that the Company will meet with interested parties in the remaining months of 2010 to discuss the development of a pilot residential energy efficiency program;

(f) provides for the permanent unbundling of the gas cost portion of uncollectible costs and inclusion of such costs in the price to compare, with agreement to update the recovery charge to 1.66% and to update that percentage charge in future distribution base rate proceedings.

(g) contains numerous additional noteworthy provisions of particular interest to other parties to this proceeding.

12. In conclusion, the Office of Trial Staff has been thoroughly involved in the instant base rate proceeding. Any issues raised in the OTS Prehearing Memorandum or in testimony that have not been specifically addressed in the foregoing Joint Petition have been satisfactorily resolved through discovery and/or the results of the settlement discussions with all parties. OTS reiterates that it fully supports the Settlement as being in the public interest and respectfully requests that Administrative Law Judge Wayne L. Weismandel recommend, and the Commission subsequently approve without modification, the proposed settlement as set forth in the Joint Petition and approve the respective tariff supplements as submitted therewith.

Respectfully submitted,



Charles Daniel Shields
Senior Prosecutor
Attorney ID No. 29363

Lawrence F. Barth
Prosecutor
Pa. Attorney I.D. No. 52446

Johnnie E. Simms
Chief Prosecutor
Pa. Attorney I.D. No. 33911

Office of Trial Staff
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265
(717) 787-1976

Dated: June 23, 2010

Appendix E

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	Docket Nos. R-2009-2149262
Office of Small Business Advocate	:	C-2010-2157870
Office of Consumer Advocate	:	C-2010-2156929
Ban Bazzoui	:	C-2010-2160920
Betty M. Rogers	:	C-2010-2164559
The Pennsylvania State University	:	C-2010-2167553
Columbia Industrial Intervenors	:	C-2010-2168994
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc.	:	

STATEMENT IN SUPPORT
OF SETTLEMENT ON BEHALF OF THE
OFFICE OF CONSUMER ADVOCATE

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Settlement (Settlement), finds the terms and conditions of the Settlement to be in the public interest for the following reasons:

I. INTRODUCTION

On January 28, 2010, Columbia Gas of Pennsylvania, Inc. (Columbia or Company) filed Supplement No. 144 to its Tariff Gas – Pa. P.U.C. No. 9 with the Public Utility Commission (Commission) to become effective March 29, 2010. In its filing, Columbia requested that the Commission approve rates and rate changes, which would increase rates for all customers. The proposed rates reflected an increase in overall revenues of approximately $32.3 million per year, or approximately 7.0% over the Company's annual revenues at present rates.

On February 4, 2010, the Office of Small Business Advocate (OSBA) filed a Formal Complaint and Notice of Appearance. On February 8, 2010, the OCA filed a Formal Complaint and Notice of Appearance. On February 14, 2010, Ban Bazzoui filed a Formal Complaint. On February 19, 2010, Dominion Retail, Inc. (Dominion), Interstate Gas Supply (IGS) and Shipley Energy Company (Shipley) filed a Joint Petition to Intervene. On March 2, 2010, York Generation Company, LLC (York Generation) filed a Petition to Intervene and Betty M. Rogers filed a Formal Complaint. On March 29, 2010, the Office of Trial Staff (OTS) filed a Notice of Appearance and Pennsylvania State University (PSU) filed a Formal Complaint. On April 1, 2010, Columbia Industrial Intervenors (CII) filed a Formal Complaint and Hess Corporation filed a Petition to Intervene. On April 12, 2010, Gloria J. Woodcock filed a Formal Complaint. Rate protests were filed by various individuals.

By Order entered March 25, 2010, the Commission suspended the Company's proposed tariff supplement pending investigation. The proceeding was assigned to the Office of Administrative Law Judge and, further, to Administrative Law Judge Wayne L. Weismandel.

On April 2, 2010, Columbia filed Supplement No. 151 to Tariff Gas – Pa. P.U.C. No. 9 to suspend the effective date of Supplement No. 144 to October 29, 2010. An Initial Prehearing Conference was held on April 9, 2010 and a procedural schedule was adopted. On April 19, 2010, the ALJ issued an order scheduling public input hearings, which were held in York, Pennsylvania on May 4, 2010 and in Pittsburgh, Pennsylvania on May 5, 2010.

On May 7, 2010, the OCA submitted the direct testimony of Richard J. Koda, OCA Statement No. 1, J. Randall Woolridge, OCA Statement No. 2, Glenn A. Watkins, OCA Statement No. 3 and Roger D. Colton, OCA Statement No. 4. On May 12, 2010, the OCA submitted revised direct testimony that replaced the earlier direct testimony of Richard J. Koda.

On June 2, 2010, the OCA submitted the rebuttal testimony of Glenn A. Watkins, OCA Statement No. 3-R, and Ralph E. Miller, OCA Statement No. 5-R. The Joint Petitioners have agreed to stipulate admission of the following OCA statements into the record: OCA Statement Nos. 1-Revised, 2, 3, 3-R, 4, and 5-R.

Pursuant to the Commission's policy of encouraging settlements that are in the public interest, the OCA, OTS, OSBA, CII, Dominion, IGS, Shipley, Hess, The Pennsylvania State University, York Generation and Columbia (Joint Petitioners) met on numerous occasions to discuss the possibility of reaching a settlement. These discussions resulted in this proposed, comprehensive Settlement. As will be discussed below, the OCA submits that the proposed Settlement is in the public interest.

II. DISTRIBUTION REVENUES

A. Revenue Requirement

The proposed Settlement provides for an overall distribution base rate increase of $12.0 million, about $20.3 million less than the rate increase amount originally requested by Columbia of $32.3 million. This rate increase reflects an increase in overall revenues of approximately 2.6% as compared to the Company's original request of a 7.0% increase in overall revenues. Even if the Joint Settlement is approved sooner, its terms provide that the increase would not go into effect before October 1, 2010.

Based on OCA's analysis of the Company's filing 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 increase is appropriate and, when accompanied by other important conditions contained in the Settlement, yields a result that is just and reasonable.

B. Distribution System Improvement Charge (DSIC)

Currently, surcharge for a natural gas utility's capital improvement projects between rate cases is not lawful. In its filing, the Company proposed to implement a Distribution System Improvement Charge (DSIC) if a statute was enacted to allow this type of surcharge recovery for natural gas utilities. As part of the proposed Settlement, Columbia will withdraw its proposed DSIC. This avoids the need to litigate this contentious issue in this proceeding.

III. RATE STRUCTURE

A. Revenue Allocation

The Settlement provides that Columbia can increase base rates by amounts designed to produce a $12.0 million increase in annual operating revenues, in lieu of the increase of $32.3 million originally proposed by the Company in this proceeding. This results in an increase in total operating revenues of approximately 2.6% as opposed to the Company's original request to increase operating revenues by 7.0%.[1] Under the revenue allocation agreed to by the Joint Petitioners, the Columbia residential class would experience an increase of $8.77 million, or 2.6%. On a distribution-only basis, the Settlement provides a 5.8% increase for the residential class, compared to the Company's filed proposal of 16.4%. Under the proposed Settlement, the average total monthly bill for a Columbia residential customer using 7.2 Mcf per month would rise from $84.95 to $87.14 per month, or by 2.58%. This is in lieu of the 6.91% increase, or $90.82 monthly bill, that was originally proposed in the filing.

B. Residential Rate Design

Under the settlement, Columbia's monthly residential customer charge would increase from $11.50 to $12.25, rather than increase to $16.88, as originally proposed by the Company.

[1] For comparison purposes, these percentages reflect purchased gas costs effective at the time of Columbia's filing on January 28, 2010.

The commodity charges will be increased to recover the necessary revenue increase from the residential class. This is significantly improved from the Company's filing, which proposed to recover 100% of the residential revenue increase through the customer charge. It is also significant that the Company has agreed to withdraw its proposed Home Energy Efficiency Program (HEEP) surcharge, which would have been set without regard to customer usage and would have been *in addition to* its proposed $16.88 customer charge. The HEEP will be discussed further below.

The OCA submits that eliminating most of the customer charge increase and recovering the remaining revenue through the commodity charges will significantly benefit residential customers. In addition, the commodity charges can provide necessary signals to customers regarding conservation, a benefit that is not realized through fixed customer charges.

The OCA submits that the residential rate design established through the settlement is reasonable and consistent with sound ratemaking principles. These rate design changes result in rates that are below the rates originally proposed and within the range of the likely outcomes in the event of full litigation of the case.

IV. OTHER ISSUES

A. Home Energy Efficiency Program (HEEP)

In its 2008, the Commission approved a new energy efficiency program to assist Columbia customers between 151% and 250% of the federal poverty levels. The program offers energy audits to determine ways to conserve and lower energy consumption and, where appropriate, provides programmable thermostats. In the present case, Columbia proposed to create a similar energy efficiency program for all residential sales and Choice customers, regardless of income. The Company requested $4 million (of its proposed $32.3 million revenue

increase) to fund the new program, called HEEP. The OCA supported the program but raised concerns about the level of funding, which was close to 1.2% of current Residential revenues, and its exclusion of small and medium volume non-Residential customers. Particularly because this is a new program, the OCA recommended that funding be commensurate with energy efficiency programs approved for other utilities, and set at a 0.5% ratio to total residential revenues, or $1.67 million, as a more appropriate initial funding level. The proposed Settlement recognizes the OCA's concerns and also recognizes that there must be adjustments to make a planned $4 million program function at the OCA's recommended level of funding. Accordingly, the Settlement provides that the OCA, Columbia, and other interested parties will meet in 2010 to develop a plan for the Company's pilot residential energy efficiency program.

The OCA submits that having an energy efficiency program at a more reasonable level of funding is a benefit to customers.

B. Customer Assistance Programs

The OCA raised three concerns with regard to Columbia's customer assistance programs. First, the OCA argued that the Company should make an adjustment to reflect the overcollection of bad debt expenses when new customers enter its customer assistance program (CAP) if it is allowed to pass 100% of its incremental CAP credits through its Universal Service Program surcharge (Rider USP). Specifically, uncollectible expense associated with residential customers that are not CAP participants is recovered in base rates; however, if a customer at some point becomes a CAP customer because of appropriate changes in circumstances, the dollars not collected from the customer (*i.e.* the uncollectible expense) become the CAP credit and are collected from non-participants through the Rider USP. Accordingly, as those dollars are added to the Rider USP, they should be correspondingly subtracted from base rates. As part of the

proposed Settlement, Columbia agrees to implement an adjustment that will offset CAP credit amounts and pre-program arrearages by 7.5% (compared to the OCA's recommendation of 10.6%) applied to the number of CAP participants over 25,300 on an average annual basis. The level of CAP participants will be reset in each distribution base rate case. In this way, the Settlement addresses the OCA's concern by establishing a reasonable level of offset to avoid double recovery of bad debt expense.

The OCA's second concern relates to a recent Department of Public Welfare (DPW) Policy regarding the posting of federal Low-Income Home Energy Assistance Program (LIHEAP) grants to CAP accounts. In 2009, the Pennsylvania DPW notified various Pennsylvania utilities operating CAP programs that those utilities had inappropriately been applying LIHEAP grants against CAP shortfalls rather than against the percentage of income payments (or "asked to pay" amount) charged to CAP participants. DPW has said that unless Pennsylvania utilities begin to post LIHEAP grants against the "asked to pay" amount, DPW will withdraw the vendor agreement status of those utilities. The way in which Columbia proposed to implement the DPW directive would increase costs to ratepayers who do not participate in CAP. The OCA recommended, instead, that Columbia adopt a CAP-plus program in response to the DPW directive. Through the CAP-plus approach, Columbia would add a charge to the percentage of income payment of the CAP participants to generate a revenue stream equal to the total value of LIHEAP grants applied against the asked-to-pay amounts (rather than against the CAP shortfall). Pursuant to the proposed Settlement, Columbia agrees to adopt a CAP-plus program consistent with that recommended by the OCA and to work with interested parties to develop and design interim changes to the CAP payments in time to put the program into effect before the LIHEAP season begins. This will allow Columbia to comply with the DPW directive

and maintain its vendor status, without passing the higher costs resulting from the DPW directive to non-participating ratepayers this winter and for as long as the DPW directive remains in place.

The OCA also noted in testimony that if the federal LIHEAP office finds that DPW's construction of the federal statute to be in error, or if DPW rescinds its policy change for any other reason, Columbia should reinstate the process of using LIHEAP grants to reduce the CAP shortfall. The Settlement adopts this position.

Third, Columbia proposed to recover computer programming costs associated with responding to the DPW directive through Rider USP. The OCA objected on the basis that the rider should be limited exclusively to incremental costs not already included in base rates. Pursuant to the proposed Settlement, Columbia agrees to withdraw its proposal.

C. Penalties

Currently, Columbia has an over/under-delivery penalty for transportation customers of $30 per Mcf for over-deliveries or under-deliveries on the days that Columbia has an Operational Flow Order (OFO) or Operational Matching Order (OMO) in effect. As provided in Columbia's tariff, the Company has the authority to issue an OFO/OMO "whenever the Company believes that the daily safe and/or reliable operation of its distribution system may be jeopardized including, without limitation, the need to protect the daily supply of Sales and Choice customers." Tariff Rule 3.5.4. In this proceeding, Dominion, IGS and Shipley argued that this penalty should be eliminated or reduced, in part, because the Company's daily cash-out/cash-in provisions alone would provide adequate deterrent for improper behavior. The Company and OCA strongly opposed this recommendation and provided testimony explaining that transportation customers or suppliers could avoid any cash-out for an under or over delivery violation of an OFO/OMO by making up the under-delivered volume (or using the over-

delivered volume) on any other days of the same calendar month. Accordingly, if the present penalty of $30 per Mcf were eliminated, there would be nothing to deter transportation customers or suppliers from ignoring Columbia's OFO/OMOs.

The proposed Settlement reduces the existing OFO/OMO penalties for transportation customers to $25 per Mcf. The OCA submits that this result is an acceptable compromise that recognizes the OCA and Company position that penalties – not just cost-based charges for replacement supplies – are needed to deter violations of OFO/OMOs, while maintaining a level of penalties that is commensurate with many interstate pipelines and other gas distribution utilities.

Dominion, IGS and Shipley also argued that the existing penalties for suppliers participating in Columbia's Choice program are too high. Currently, there is a penalty of $30 per Mcf for violation of an OFO in either direction. In addition, there is a Choice program under-delivery penalty of $75 per Mcf on days when an OFO, OMO, or Seasonal Flow Order (SFO) is in effect, and $40 per Mcf on other days. The Company explained that higher penalties are warranted for Choice suppliers because residential and small commercial customers do not have the same opportunities to reduce usage or change to an alternate fuel as do larger commercial and industrial customers and the design of the Choice program is dependent upon consistent delivery each day. The OCA also noted that there is no cash-out of Choice program imbalances at any time, not even monthly. Columbia reconciles Choice program deliveries only once each year.

For purposes of Settlement, the parties agreed to reduce over/under delivery penalties for Choice suppliers over/under delivery penalties to $50 per Mcf when an OFO, OMO or SFO is in effect and $25.00 per Mcf on other days. The OCA submits that this result is a reasonable compromise, which takes the suppliers' position into account while maintaining penalties that

are adequate to deter Choice program suppliers from diverting supplies away from the Choice program on days of their own choosing, which would typically be days when gas prices are relatively high, and force Columbia to purchase incremental supplies or make excessive use of storage to offset these contrary swings in Choice program deliveries.

D. Tax Refund

In late August 2009, the IRS National Office granted Columbia's request to make a change to its method of tax accounting. As a result of the change in tax accounting, CPA received a tax refund of $37,487,634, which represents overpayment of taxes for the period of 1988 through 2008. In its base rate filing, Columbia proposed to use the tax refund as an incremental source of cost-free capital to provided incremental funding to its Cast Iron and Bare Steel (CIBS) replacement program. The OCA recommended modifications to the Company's proposal – acceleration of investment and reflection of the refund as a reduction to Columbia's claim for Cash Working Capital. The OCA generally agreed, however, that customers would benefit from downward pressure on rates from use of cost-free capital to invest in mains replacement, by not paying depreciation or return on plant constructed with the funds for the depreciable life of the assets, and ultimately from lower leak repair and maintenance expenses. The OTS and OSBA recommended instead that the proceeds be refunded to customers, amortized over a ten-year period. OTS also recommended that Columbia should pay interest on the unamortized balance of the refund, which was strongly opposed by the Company. For purposes of Settlement, all parties agreed that the tax refund would be amortized. The OCA supports this alternative treatment of the tax refund because ratepayers will benefit from an annual reduction to the Company's income tax expense.

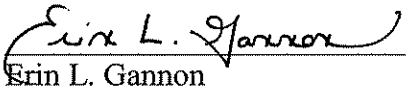
E. Tariff Change – Rule 18.4.2

In its filing, Columbia proposed to add a situation where Columbia could terminate a customer without prior notice if there is "any physical harm or any threat of physical harm to Company personnel or property." Proposed Tariff Rule 18.4.7. Columbia's existing tariff provides for immediate termination for "any customer action taken that may endanger the safety of a person or the integrity of the Company's delivery system." Tariff Rule 18.4.2. At the OCA's request, Columbia agreed to withdraw the new tariff language as part of the proposed Settlement.

V. CONCLUSION

The OCA submits that the terms and conditions of the proposed settlement of this rate investigation represent a fair and reasonable resolution of the issues and claims arising in this proceeding. If approved by the Commission, this agreement would provide for an increase in annual operating revenues of $12 million with the above-stated conditions.

Respectfully submitted,



Erin L. Gannon
Assistant Consumer Advocate
PA Attorney I.D. # 83487
EGannon@paoca.org

Candis A. Tunilo
Assistant Consumer Advocate
PA Attorney I.D. # 89891
CTunilo@paoca.org

Tanya J. McCloskey
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50044
E-Mail: TMcCloskey@paoca.org

Counsel for:
Irwin A. Popowsky
Consumer Advocate

Office of Consumer Advocate
555 Walnut Street 5th Floor, Forum Place
Harrisburg, PA 17101-1923
(717) 783-5048
Dated: June 24, 2010
128342

Appendix F

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
v.	:	**Docket No. R-2009-2149262**
COLUMBIA GAS OF PENNSYLVANIA, INC.	:	

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

I. BACKGROUND

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.

II. PROCEDURAL HISTORY

a. Base Rate Proceeding

On January 28, 2010, Columbia Gas of Pennsylvania ("Columbia" or "the Company") filed Supplement No. 144 to Tariff Gas – Pa. P.U.C. No. 9 ("Supplement No. 144") with the Commission. The OSBA filed a Complaint, Notice of Appearance and Public Statement on February 4, 2010.

The Commission's Office of Trial Staff ("OTS") filed a Notice of Appearance. Complaints also were filed by the Office of Consumer Advocate ("OCA"), the Pennsylvania State University ("Penn State") and the Columbia Industrial Intervenors ("CII"). Interventions were filed by Hess Corporation ("Hess"); Dominion Retail, Inc. ("Dominion"); Interstate Gas Supply, Inc. ("Interstate"); Shipley Energy Company ("Shipley"); and the York Generation Co., LLC ("York").

On March 25, 2010, the Commission entered an Order instituting an investigation of the proposed rate increase. Administrative Law Judge ("ALJ") Wayne L. Weismandel was assigned to preside over this matter.

The OSBA filed the Direct and Rebuttal Testimony of its witness, Robert D. Knecht, on May 7, 2010, and June 2, 2010, respectively. The parties successfully negotiated a settlement in principle. Therefore, by agreement of the parties, and with the consent of ALJ Weismandel, the evidentiary hearings scheduled for June 14-18, 2010, were cancelled, and the testimony of the parties will be admitted into the record by stipulation.

The Company and other parties are filing the Joint Petition for Settlement ("Settlement").[1] The OSBA actively participated in the negotiations that led to the Settlement and is a signatory to the Settlement.

b. Complaint Proceeding

On October 9, 2009, Shipley, Interstate, Dominion, and Stand Energy Corporation filed a Complaint against Columbia (the "Complaint"), which was docketed at C-2009-2137066. The OCA intervened in the case. The Complaint raised issues related to

[1] Hess Corporation has indicated that it does not oppose the Settlement.

Columbia's provision of service under pilot Rider PPS – Price Protection Service and Rate NSS – Negotiated Sales Service.

By Order entered May 24, 2010, ALJ Conrad A. Johnson granted the parties' Request for Continuance in the Complaint proceeding. Subsequently, the case was reassigned to Administrative law Judge David A. Salapa, and an initial prehearing conference was scheduled for June 21, 2010. The case was later reassigned to ALJ Weismandel, upon notification to ALJ Weismandel that the settlement in principle of the base rate proceeding included resolution of the Complaint proceeding. To the best of the OSBA's knowledge, the Complaint proceeding has not been formally consolidated with the base rate proceeding.

III. OVERVIEW OF ORIGINALLY PROPOSED BASE RATE FILING

This Overview section reviews only the portions of Columbia's base rate filing that were addressed by OSBA witness Mr. Knecht in his testimony.

Columbia's Supplement No. 144 proposed new tariff rules and regulations and an increase in distribution rates designed to produce an overall increase in revenues of approximately $32.3 million per year, or 6.97 percent.[2]

Columbia's proposed $32.3 million revenue requirement was based in part on a return on equity of 11.7 percent.[3] In addition, Columbia proposed to treat its $37.5

[2] Columbia Statement No. 12, Direct Testimony of Paula A. Strauss at 6.

[3] Columbia Statement No. 9, Direct Testimony of Paul R. Moul at 2.

million (potentially $49.7 million) tax refund as contributions-in-aid-of-construction ("CIACs") rather than to amortize the refund to ratepayers.[4]

Columbia submitted two class cost of service studies ("CCOSSs") that allocate costs among the various rate classes. These CCOSSs are based on different methods for classifying and allocating distribution mains costs.[5]

Finally, Columbia proposed a Distribution System Improvement Charge ("DSIC").[6]

IV. STATEMENT IN SUPPPORT OF SETTLEMENT

A. Reduction in Revenue Requirement

OSBA witness Mr. Knecht testified that the 11.7 percent return on equity proposed by Columbia was excessive. Specifically, Mr. Knecht stated:

> Columbia's proposed return on equity of 11.7 percent is excessive when compared to the returns that Columbia's actuaries use for expected return on pension and OPEB funds.[7]

Now that Columbia's proposed increase of $32.2 million has been scaled back to $12 million in the Settlement, the implicit rate of return on equity is now at a more reasonable level.

---

[4] Columbia Statement No. 2, Direct Testimony of Mark Kempic at 13-18.

[5] Columbia Statement No. 11, Direct Testimony of Robert Crossin at 3-6; *see also* Exhibit 111.

[6] Columbia Statement No.1, Direct Testimony of M. Carol Fox at 4-5.

[7] OSBA Statement No. 1, Direct Testimony of Robert D. Knecht at 2.

B. Cost of Service/Revenue Allocation

In its filed case, Columbia submitted two class cost of service studies ("CCOSSs") that allocated costs among the various rate classes. These CCOSSs were based on different methods for classifying and allocating distribution mains costs.

One method, which the Company called the "Customer/Demand" CCOSS, classified a portion of the mains costs on the basis of the number of customers in each class and a portion on the basis of demand. This method then allocated the demand portion on the basis of peak day demands.[8]

The second methodology, which the Company called the "Demand/Commodity" CCOSS, classified none of the costs as customer-related and allocated all mains costs on the basis of peak and average demand.[9]

OSBA witness Mr. Knecht opposed the use of these CCOSSs. Specifically, Mr. Knecht testified:

> Neither of these CCOSSs is consistent with cost causation and neither of these CCOSSs is consistent with recent Commission precedent regarding mains cost classification and allocation. Therefore, for the purpose of revenue allocation and rate design in this proceeding, I rely on a CCOSS that is consistent with Commission precedent. This CCOSS is based on an *average and excess* ('A&E') approach for allocating all mains costs.[10]

Mr. Knecht explained that the Commission had previously ruled that there should be no customer component in the classification and allocation of mains costs in a gas utility CCOSS.[11] Although Mr. Knecht disagreed with that ruling, he accepted it as

---

[8] OSBA Statement No. 1, Direct Testimony of Robert D. Knecht at 11.

[9] *Id.*

[10] OSBA Statement No. 1, Direct Testimony of Robert D. Knecht at 2

[11] OSBA Statement No. 1, Direct Testimony of Robert D. Knecht at 17-19.

Commission precedent and proposed his own CCOSS which had no customer component.[12] Mr. Knecht's CCOSS showed that the SGS rate class (which the OSBA represented in this proceeding) was over-recovering its costs, *i.e.*, it was overpaying for distribution service.[13]

Mr. Knecht also pointed out the LGS and LDS classes were substantially under-recovering their costs, *i.e.*, they were underpaying for distribution service.[14] Despite the fact that the SGS class was over-recovering its costs and the LGS and LDS classes were under-recovering their costs, Columbia proposed to impose the same percentage increase on the customers not eligible for negotiated ("flex") rates in all three classes.[15]

The Settlement brings the SGS, LGS, and LDS rate class closer to cost of service, by giving the SGS class a smaller than system average increase and giving the LGS and LDS (non-flex) customers a larger than system average increase. This result, shown in the table below, is consistent with Mr. Knecht's CCOSS.

[12] OSBA Statement No. 1, Direct Testimony of Robert D. Knecht at 19-20.

[13] OSBA Statement No. 1, Direct Testimony of Robert D. Knecht at 20; *see* Exhibit IEc-4.

[14] OSBA Statement No. 1, Direct Testimony of Robert D. Knecht at 22-23.

[15] *Id.*

Rate Class	Current Non-Flex Revenues[16]	Settlement Increase[17]	Percent Increase[18]
RS	132,315,100	8,773,617	6.6%
SGS	33,167,900	2,113,814	6.4%
LGS	1,555,300	134,931	8.7%
SDS	6,969,100	470,023	6.7%
LDS	7,093,200	507,307	7.2%
MDS	244,400	260	0.0%
System	181,345,100	11,999,952	6.6%

C. Distribution System Improvement Charge (DSIC)

Columbia proposed that it be permitted to adopt a DSIC in the event that the Pennsylvania legislature authorizes such a mechanism.[19] OSBA witness Mr. Knecht opposed Columbia's proposal, testifying as follows:

> Because no legislative approval has been granted at this writing, it is not clear exactly what form such legislation might take or what specific conditions might be incorporated. At this stage in the proceedings, even if the General Assembly were to enact legislation, Columbia would have no reasonable opportunity to modify its proposal to insure compliance with the legislation. Similarly, the parties would have no ability to conduct discovery regarding whether Columbia's proposal is consistent with the specifics of the legislation. Thus, for all practical purposes, the evaluation of Columbia's proposal is best deferred to a future proceeding, if enabling legislation is adopted.[20]

[16] Figures taken from OSBA Statement No. 2, Rebuttal Testimony of Robert D. Knecht, Exhibit IEc-R1.

[17] Figures taken from Settlement, Appendix A at 2.

[18] Percentages calculated from previous two columns.

[19] Columbia Statement No.1, Direct Testimony of M. Carol Fox at 4-5.

[20] OSBA Statement No. 1, Direct Testimony of Robert D. Knecht at 26.

In the Settlement, Columbia has agreed to withdraw its DSIC proposal from this proceeding, but has reserved its right to propose a DSIC in the future if such a mechanism is authorized by the General Assembly. This result is consistent with Mr. Knecht's recommendation.[21]

D. Tax Refunds

Columbia proposed to treat its $37.5 million tax refund as contributions in aid of construction (CIACs).[22] OSBA witness Mr. Knecht testified that Columbia's proposal is not consistent with Commission policy on the treatment of tax refunds. Specifically, Mr. Knecht stated:

> From an economic perspective, the impact of Columbia's proposal is to stretch out the benefit of the tax credit to ratepayers over a very long time. Under Commission policy, ratepayers receive the credit directly in ten years. Under Columbia's proposal, ratepayers receive the benefit over the life of the assets.[23]

In the Settlement, Columbia has agreed to treat the tax refund in a manner that is consistent with Commission precedent, *i.e.*, amortize the tax refund over ten years, as recommended by Mr. Knecht.[24]

---

[21] OSBA Statement No. 1, Direct Testimony of Robert D. Knecht at 26-27.

[22] OSBA Statement No. 1, Direct Testimony of Robert D. Knecht at 2.

[23] OSBA Statement No. 1, Direct Testimony of Robert D. Knecht at 35.

[24] OSBA Statement No. 1, Direct Testimony of Robert D. Knecht at 35-36.

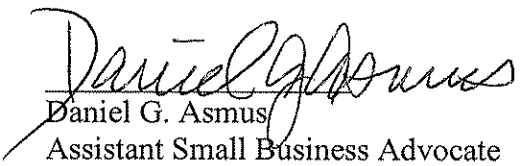
E. Public Interest

The Settlement is in the public interest because it has scaled back the requested rate increase by over $20 million, has provided for further reductions in rates through the amortization of the tax refund, and would implement a more reasonable revenue allocation than proposed by the Company.

V. CONCLUSION

The Settlement resolves the issues which the OSBA disputed. Therefore, the OSBA supports the proposed Settlement and respectfully requests that the Administrative Law Judge and the Commission approve the Settlement document in its entirety without modification.

Respectfully submitted,



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

For:
William R. Lloyd, Jr.
Small Business Advocate
Attorney ID No. 16452

Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101
(717) 783-2525

Dated: June 18, 2010

Appendix G

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2009-2149262
	:	
Columbia Gas of Pennsylvania, Inc.	:	

STATEMENT IN SUPPORT OF COLUMBIA INDUSTRIAL INTERVENORS TO THE JOINT PETITION FOR SETTLEMENT

The Columbia Industrial Intervenors ("CII"), by and through its counsel, submits that the Joint Petition for Settlement ("Joint Petition" or "Settlement"), recently 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"), January 28, 2010, filing of Supplement No. 144 to Tariff Gas – Pa. P.U.C. No. 9, which sought to increase Columbia's total annual operating revenues by $32.3 million. As a result of settlement discussions, Columbia, CII, the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), the Office of Trial Staff ("OTS"), York Generation Company, LLC ("York Generation"), The Pennsylvania State University ("Penn State") and the Natural Gas Suppliers[1] ("NGSs") (collectively, "Parties" or "Joint Petitioners") have agreed upon the terms embodied in the foregoing Joint Petition. CII offers this Statement in Support to further demonstrate that the Settlement is in the public interest and should be approved without modification.

BACKGROUND

1. On January 28, 2010, Columbia filed Supplement No. 144 to Tariff Gas – Pa. P.U.C. No. 9, which contained proposed changes in rates, rules, and regulations calculated to produce approximately $32.3 million, or 6.97%, in additional revenues.

[1] The Natural Gas Suppliers include Dominion Retail, Inc., Shipley Energy Company, and Interstate Gas Supply, Inc. As indicated in the Joint Petition, Stand Energy Corporation is a party to the Settlement solely for purposes of resolving issues related to the Complaint at Docket No. C-2009-2137066.

2. On April 1, 2010, CII submitted a Complaint in the above-captioned proceeding. As noted in the 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. In accordance with the Commission's policy encouraging negotiated settlement of contested proceedings, the Joint Petitioners engaged in negotiations to resolve the issues raised by the various parties. These discussions resulted in the Settlement, which proposes a resolution of all outstanding issues between the Joint Petitioners in this proceeding as set forth below.

STATEMENT OF SUPPORT

4. The Commission has a strong policy favoring settlements. As set forth in the Commission'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, Joint Petitioners engaged in negotiations in an effort to settle the issues raised by the Complainants. These ongoing discussions produced the foregoing Settlement.

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

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

7. The Joint Petitioners agree that the $12.0 million rate increase achieved in the Joint Petition is just, reasonable, and in the public interest.

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

9. 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 $12.0 million, which is approximately 37% of the Company's original request of $32.3 million.

d. The Joint Petition provides a just and reasonable means by which to allocate the resulting rate 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.

10. In addition, the Joint Petition specifically satisfies the concerns of CII by: (1) reasonably allocating the proposed increase among the customer classes; and (2) withdrawing the proposal for a Distribution System Improvements Charge ("DSIC") mechanism.

11. 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 Administrative Law Judge or the Commission, CII will resume its litigation position, which differs from the terms of the Joint Petition.

12. As set forth above, CII submits that the Settlement is in the public interest and adheres to the Commission policies promoting negotiated settlements. The Settlement was achieved after numerous settlement discussions. While 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 resolution 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 in this proceeding. See 52 Pa. Code § 69.391.

WHEREFORE, the Columbia Industrial Intervenors respectfully request that Administrative Law Judge Wayne L. Weismandel and the Pennsylvania Public Utility Commission approve the foregoing Joint Petition for Settlement without modification.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By _____

Charis Mincavage (Pa. I.D. No. 82039)
Shelby A. Linton-Keddie (Pa. I.D. No. 206425)
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
Phone: (717) 232-8000
Fax: (717) 237-5300

Counsel to Columbia Industrial Intervenors

Date: June 24, 2010

Appendix H

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	Docket No. R-2009-2149262
Office of Consumer Advocate	:	Docket No. C-2010-2156929
Office of Small Business Advocate	:	Docket No. C-2010-2157870
Columbia Industrial Intervenors	:	Docket No. C-2010-2168994
The Pennsylvania State University	:	Docket No. C-2010-2167553
Ban Bazzoui	:	Docket No. C-2010-2160920
Betty M. Rogers	:	Docket No. C-2010-2164559
Gloria J. Woodcock	:	Docket No. C-2010-2169782
	:	
and	:	
	:	
Dominion Retail, Inc.	:	
Shipley Energy Company	:	
Interstate Gas Supply, Inc.	:	
Hess Corporation	:	
York Generation Company, LLC,	:	
	:	
Intervenors	:	
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania Inc.	:	

Dominion Retail, Inc.	:	Docket No. C-2009-2137066
Shipley Energy Company	:	
Interstate Gas Supply, Inc.	:	
Stand Energy Corporation	:	
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania Inc.	:	

STATEMENT IN SUPPORT OF
NATURAL GAS SUPPLIER PARTIES

AND NOW, come Dominion Retail, Inc. ("Dominion Retail"), Shipley Energy Company ("Shipley"), Interstate Gas Supply, Inc. ("IGS"), and Stand Energy Corporation[1] (collectively "NGS Parties"), by and through their counsel in the above-captioned matter, Hawke McKeon & Sniscak LLP, and hereby offer this Statement in Support of the Joint Petition for Settlement ("Settlement") in the above-captioned matter. In support thereof, the NGS Parties state and aver as follows:

I. BACKGROUND

On October 9, 2009, Shipley, IGS, Dominion Retail and Stand filed a Complaint against Columbia ("Complaint") docketed at Pennsylvania Public Utility Commission ("Commission") Docket No. C-2009-2137066. The Complaint addressed issues related to Columbia Gas of Pennsylvania's ("Columbia" or the "Company") provision of natural gas supply service under Pilot Rider -- PPS (Price Protection Service), and Rate NSS ("Negotiated Sales Service").

The Commission served the Complaint on Columbia on or about October 22, 2009. Columbia timely answered the Complaint, denying the material allegations. The parties proceeded to litigate the case, but the complaint case remained dormant at the Commission until May 2010 when it was assigned to ALJ Conrad A. Johnson for hearing on June 16, 2010. By Order entered May 24, 2010, ALJ Johnson granted the parties' request for a continuance in the Complaint proceeding.

The Complaint case was subsequently reassigned to ALJ David A. Salapa and an initial Prehearing Conference was scheduled for June 21, 2010. Upon notification to Judge Weismandel that a settlement had been reached which encompassed both the rate case and the

[1] Stand did not participate in the rate case at Docket No. R-2009-2149262, *et seq.*, but is a party along with Dominion Retail, Shipley Energy Company, Interstate Gas Supply, Inc. in the Complaint case at Docket No. C-2009-2137066.

complaint case, the complaint case was assigned to ALJ Weismandel so that he would be able to resolve both the complaint case and the base rate case.

Meanwhile, on January 28, 2010, Columbia filed Supplement No. 144 to its Tariff Gas – Pa. P.U.C. No. 9 along with supporting information. The initial rate increase proposed by Columbia's filing was 32.3 million dollars per year. Following the suspension of Supplement No. 144 by operation of law, the matter was assigned to ALJ Wayne L. Weismandel for taking of evidence and initial resolution. Interstate, Dominion Retail and Shipley jointly intervened in the base rate case. The NGS Parties' participated along with all other parties in ongoing settlement negotiations which resulted in the settlement of both the rate and the complaint case.

II. SETTLEMENT

The Settlement addresses a number of issues that have been a major concern of the NGS Parties, in both the base rate case and the complaint case. The competitive issues raised in the complaint case were of enough significance to warrant the filing, by the NGS parties, of a Complaint against Columbia. The Settlement fairly resolves those issues and the rate case issues.

In particular, with regard to Pilot Rider PPS, in Paragraph 21.m, of the Settlement, Columbia has agreed to make no further offers under Pilot Rider PPS, and has agreed not to seek to extend Pilot Rider PPS after it expires. With regard to Rate NSS, Columbia has agreed not to engage in mass advertisement of Rate NNS, and agreed not to directly solicit NGS customers regarding rate NSS. These conditions satisfactorily address the issues raised in the Complaint case by the NGS Parties. Columbia's marketing of PPS and NNS were the gravamen of the Complaint and while the settlement does not reach the exact relief requested in the Complaint, Columbia's agreement to the Settlement terms will allow the Complaint to be withdrawn and

will allow Columbia and the NGSs to continue to act in concert, rather than adversaries, in the future.

In the base rate case a number of important concessions were made. Columbia agreed to raise the volumetric limit under small commercial distribution ("SCD") to 4,000 Mcf per year from its current level of 600 Mcf per year. What this means is that a large group of customers who currently are only eligible for transportation service will be eligible for Choice as well. This change will allow small commercial customers to participate in Choice which is much simpler from a customer perspective than transportation programs and will allow for broader participation of these small commercial customers who often do not have the wherewithal to participate in transportation programs.

Columbia also has agreed to reduce the penalties that it will assess to suppliers for inadequate gas deliveries; both during OFO/OMO (operational flow order/operational matching order) and non-OFO/OMO periods. For general distribution service, Columbia currently does not charge a penalty for non-OFO/OMO periods and will reduce the penalty charge for under-delivery for OFO/OMO periods from $30.00/Mcf to $25.00/Mcf. For its Choice program, Columbia will reduce the current penalty for non-OFO/OMO periods from $40.00 to $25.00 /MCF and for OFO/OMO periods from $60.00 to $50.00/Mcf. This reduction of penalties substantially reduces the costs associated with what are often unintentional administrative errors and further mitigates the punitive effect of Columbia's penalty structure.

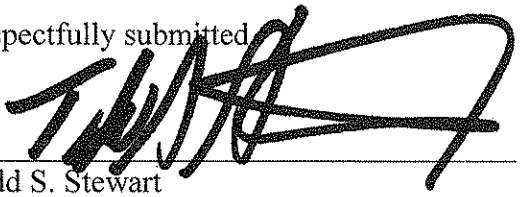
Columbia also has agreed to modify the language of its proposal to be more specific with regard to the definition of pipeline scheduling points which has the affect of limiting the effect of its prior proposal which it believes is necessary to comply with its upstream pipelines.

The NGSs support the Settlement as a reasonable compromise of the positions of the various parties in both matters. The Settlement is also without prejudice or admission to any position any party, including NGSs, may take in any subsequent or different proceeding.

These provisions, cited above, are in the public interest because they will reduce costs for suppliers and reduce the negative implication, from the NGS perspective, of Columbia's marketing activities. In exchange, the NGSs have agreed to withdraw their Complaint in the C-2009-2137066 and support the base rate Settlement.

WHEREFORE, the NGS Parties, respectfully request the Honorable Administrative Law Judge to approve the Joint Petition for Settlement as filed, and without modification, and to do so with all due haste.

Respectfully submitted,



Todd S. Stewart
PA Attorney I.D. #75556
Hawke McKeon & Sniscak LLP
100 North Tenth Street
P.O. Box 1778
Harrisburg, PA 17105-1778
E-mail: tsstewart@hmslegal.com
Telephone: (717) 236-1300
Facsimile: (717) 236-4841

Counsel for Dominion Retail, Inc., Shipley Energy Company, Interstate Gas Supply, Inc., and Stand Energy Company

DATED: June 23, 2010

Appendix I

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	Docket No. R-2009-2149262
Office of Consumer Advocate	:	Docket No. C-2010-2156929
Office of Small Business Advocate	:	Docket No. C-2010-2157870
Columbia Industrial Intervenors	:	Docket No. C-2010-2168994
The Pennsylvania State University	:	Docket No. C-2010-2167553
Ban Bazzoui	:	Docket No. C-2010-2160920
Betty M. Rogers	:	Docket No. C-2010-2164559
Gloria J. Woodcock	:	Docket No. C-2010-2169782
	:	
and	:	
	:	
Dominion Retail, Inc.	:	
Shipley Energy Company	:	
Interstate Gas Supply, Inc.	:	
Hess Corporation	:	
York Generation Company, LLC,	:	
	:	
	:	
Intervenors	:	
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania Inc.		

Dominion Retail, Inc.	:	Docket No. C-2009-2137066
Shipley Energy Company	:	
Interstate Gas Supply, Inc.	:	
Stand Energy Corporation	:	
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania Inc.	:	

YORK GENERATION COMPANY, LLC
STATEMENT IN SUPPORT OF SETTLEMENT

TO THE HONORABLE ADMINISTRATIVE LAW JUDGE WAYNE L. WEISMANDEL:

The Office of Trial Staff ("OTS") 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"), Stand Energy Corporation ("Stand"),[1] York Generation Company, LLC ("YGC"), The Pennsylvania State University ("PSU") and Columbia Gas of Pennsylvania, Inc. ("Columbia" or the "Company"), parties to the above-captioned proceedings (hereinafter collectively referred to as the "Joint Petitioners"),[2] hereby join in this Joint Petition for Settlement ("Settlement") and hereby respectfully request that Administrative Law Judge Wayne L. Weismandel ("ALJ Weismandel" or the "ALJ") and the Commission expeditiously approve the Settlement.

The issues disposed of by this Settlement have been addressed in testimony submitted individually by Joint Petitioners. 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.

The Settlement is a reasonable compromise and lawful resolution of Columbia's request for a general rate increase and the issues raised in relation to that request. From YGC's perspective, the Settlement is in the public interest, first, because it contains tariff changes to Rate GDS service that YGC supports in its written direct testimony.[3] In particular, under the proposed changes, YGC will be eligible for Rate GDS, which is a negotiated rate and which will enable YGC to receive more favorable service from

[1] Stand is a party to the Settlement solely for purposes of resolution of issues related to the Complaint at Docket No. C-2009-2137066.

[2] Hess Corporation ("Hess"), an intervenor in this proceeding, has indicated that it does not oppose the Settlement.

[3] See York Generation Statement No. 1, pp. 5-6,7; York Generation Statement No. 2, p. 5

Columbia. Second, the Settlement is also in the public interest because it reduces OFO/OMO charges, which were a point of concern raised by YGC in this case.[4]

WHEREFORE, York Generation Company, LLC respectfully requests that the Administrative Law Judge approve the Settlement reached by the Parties, and recommends the Settlement's adoption by the Pennsylvania Public Utility Commission.

Dated: June 24, 2010

W. Edwin Ogden
John F. Povilaitis
Matthew A. Totino
RYAN, RUSSELL, OGDEN & SELTZER P.C.
800 North Third Street, Suite 101
Harrisburg, Pennsylvania 17101-20205
(717)236-7714

Attorneys for York Generation Company LLC

[4] See York Generation Statement No. 1, pp. 6-8; York Generation Statement No. 2, pp. 5-9.

Appendix J

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission, et al.,	:	
v.	:	Docket No. R-2009-2149262, et al.
Columbia Gas of Pennsylvania, Inc.	:	

STATEMENT OF THE PENNSYLVANIA STATE UNIVERSITY IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT

AND NOW, comes The Pennsylvania State University ("PSU") and hereby submits this Statement in Support of the Joint Petition for Settlement ("Settlement") filed by the Parties in the above-captioned proceeding. As indicated in the Joint Petition, the Settlement resolves all issues in the proceeding. Accordingly, as discussed more fully below, PSU offers its support for the Settlement, and requests that the Presiding Administrative Law Judge and the Pennsylvania Public Utility Commission ("Commission") approve the Settlement as submitted. In support thereof, PSU avers as follows:

1. On January 28, 2010, Columbia Gas of Pennsylvania, Inc. ("Columbia") filed with the Commission Supplement No. 144 to its Tariff Gas – Pa. P.U.C. No. 9. In its filing, Columbia requested an increase in rates designed to produce additional annual revenues of approximately $32.3 million, or 6.97% over present rates.

2. PSU takes service primarily under Columbia's Large Distribution Service ("LDS") rate category. Under Columbia's proposal, revenues allocated to the LDS customer class would have increased by approximately $1,106,604.00, or almost 16% over present rates.

3. Under the Settlement, the Parties have proposed that rates be designed to produce additional annual revenues of approximately $12 million. Of this overall increase, approximately $507,307.00, or 4.2%, would be allocated to the LDS class.

4. The terms in the Settlement represent a compromise of the positions taken by various parties, including Columbia, PSU, the Columbia Industrial Intervenors, the Office of Small Business Advocate ("OSBA"), the Office of Trial Staff ("OTS") and the Office of Consumer Advocate ("OCA") with respect to cost of service studies and the allocation of the overall increase among the various rate classes and, in particular, to the LDS rate class. PSU supports the Settlement as a reasonable compromise of the positions of the various parties. The Settlement is also without prejudice or admission to any position any party, including PSU, may take in any subsequent or different proceeding.

5. In addition, the Settlement will enable the parties to avoid the expenditure of significant additional time and expense that would have been necessary to fully litigate this proceeding to a conclusion. This will result in significant savings to all parties, as well as Columbia's customers.

6. For all of these reasons, PSU believes that the Settlement is in the public interest and requests that the Commission approve the Settlement as presented in the Joint Petition for Settlement.

Respectfully submitted,

Thomas J. Sniscak

Thomas J. Sniscak
Steven K. Haas
Hawke McKeon & Sniscak LLP
100 North Tenth Street
Harrisburg, PA 17101
E-mail:tjsniscak@hmslegal.com
skhaas@hmslegal.com
Telephone: (717) 236-1300
Facsimile: (717) 236-4841

DATED: June 23, 2010

Counsel for The Pennsylvania State University.