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File #: 2271/146317

July 1, 2011

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, Office of Consumer Advocate, Office of Small Business Advocate, Columbia Industrial Intervenors, The Pennsylvania State University, Pennsylvania Communities Organizing for Change d/b/a ACTION United, Nettie Pelton and Carol Collington, James Landis, Marie Weaver, Margaret Sentz, Albert Jochen, Patsy Orlando, Maureen A. Doerr-Roman, and Shipley Energy Company, Dominion Retail, Inc., Interstate Gas Supply, Inc., v. Columbia Gas of Pennsylvania, Inc. - Docket Nos. R-2010-2215623, C-2011-2224941, C-2011-2224985, C-2011-2227004, C-2011-2230067, C-2011-2232186, C-2011-2224944, C-2011-2225050, C-2011-2225828, C-2011-2225878, C-2011-2227222, C-2011-2231015

Pennsylvania Public Utility Commission, Office of Small Business Advocate, Office of Consumer Advocate, v. Columbia Gas of Pennsylvania, Inc. - Docket Nos. R-2010-2201974, C-2010-2208133 and C-2010-2208503 (Consolidated)

Dear Secretary Chiavetta:

Enclosed for filing is the Joint Petition for Partial Settlement of the above-referenced proceedings.

Copies have been provided to the persons as indicated on the certificate of service.

Respectfully Submitted,

Michael W. Hassell

MWH/skr
Enclosures

cc: Honorable Katrina L. Dunderdale
Certificate of Service

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos. R-2010-2215623
Office of Consumer Advocate	:	C-2011-2224941
Office of Small Business Advocate	:	C-2011-2224985
Columbia Industrial Intervenors	:	C-2011-2227004
The Pennsylvania State University	:	C-2011-2230067
Pennsylvania Communities Organizing for Change d/b/a ACTION United, Nettie Pelton and Carol Collington	:	C-2011-2232186
James Landis	:	C-2011-2224944
Marie Weaver	:	C-2011-2225050
Margaret Sentz	:	C-2011-2225828
Albert Jochen	:	C-2011-2225878
Patsy Orlando	:	C-2011-2227222
Maureen A. Doerr-Roman	:	C-2011-2231015

and

Shiple Energy Company
Dominion Retail, Inc.
Interstate Gas Supply, Inc.

Intervenors

v.

Columbia Gas of Pennsylvania, Inc.

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SECRETARY'S BUREAU

Pennsylvania Public Utility Commission	:	Docket Nos. R-2010-2201974
Office of Small Business Advocate	:	C-2010-2208133
Office of Consumer Advocate	:	C-2010-2208503

and

Columbia Industrial Intervenors

Intervenors

v.

Columbia Gas of Pennsylvania, Inc.

JOINT PETITION FOR PARTIAL SETTLEMENT

TO ADMINISTRATIVE LAW JUDGE KATRINA L. DUNDERDALE:

I. INTRODUCTION

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”),¹ Dominion Retail, Inc. (“Dominion”), Shipley Energy Company (“Shipley”), Interstate Gas Supply, Inc. (“IGS”),² The Pennsylvania State University (“PSU”), Pennsylvania Communities Organizing for Change d/b/a ACTION United, Nettie Pelton and Carol Collington (“PCOC”) 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 Katrina L. Dunderdale (“ALJ Dunderdale” or the “ALJ”) and the Commission expeditiously approve the Settlement as set forth below. 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 two issues in the above-captioned general base rate proceeding (the “2011 Base Rate Filing”). The Settlement provides for increases in rates designed to produce \$16.0 million in additional base rate revenue, and \$1.0 million for increased funding for the Company’s Low Income Usage Reduction Program (“LIURP”) to be recovered from increases in charges under Columbia’s Rider Universal Service Program (“Rider USP”), based upon the level of operations for the twelve months ending September 30, 2011, as adjusted for ratemaking purposes. The

¹ CII’s members are Glen-Gery Corporation, Harley-Davidson Motor Company, Knouse Foods Cooperative, Inc. and World Kitchen, LLC.

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

³ PSU’s joinder in this Settlement shall not be construed as supporting in any way the relief requested by some parties in paragraph 66. The OSBA is to be listed as not objecting to paragraphs 33, 36, 37 and 38(iii) of this Settlement. In addition, as explained below, six (6) individual Columbia customers filed Formal Complaints against the Company’s proposed rate increase. However, these customers 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 these inactive customer complainants.

new rates are to become effective for service rendered on and after the date of the Commission's order approving the Settlement. 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 414,000 retail customers in portions of 26 counties of Pennsylvania.

2. On January 14, 2011, Columbia filed the above-captioned 2011 Base Rate Filing, together with Supplement No. 163 to its Tariff Gas – Pa. P.U.C. No. 9 ("Supplement No. 163"), responses to Commission filing requirements and standard data requests, and supporting direct testimony and exhibits. In the 2011 Base Rate Filing, Columbia proposed new tariff rules and regulations and proposed increased rates designed to produce an overall revenue increase of approximately \$37.8 million annually based upon the *pro forma* level of operations for the twelve months ended September 30, 2011.

3. Supplement No. 156 to Tariff Gas – Pa. P.U.C. No. 9 ("Supplement No. 156" or "BTU factor proceeding"), which proposed a BTU adjustment factor to Mcf billing, was filed with the Commission on September 29, 2010 at Docket No. R-2010-2201974, and was suspended to May 27, 2011 by Commission Order dated November 19, 2010 at R-2010-2201974. On January 20, 2011, Columbia filed a Motion to Consolidate Supplement No. 156 with the base rate filing. Further, Columbia agreed to voluntarily extend the effective date for Supplement No. 156 to coincide with the Company's base rate filing.

4. On January 24, 2011, Administrative Law Judge Katrina L. Dunderdale issued an order consolidating the BTU factor proceeding with the 2011 Base Rate Filing.

5. On February 3, 2011, the OSBA filed a Notice of Appearance, Formal Complaint and Public Statement, which was docketed at Docket No. C-2011-2224985.

6. On February 9, 2011, the OCA filed a Notice of Appearance, Formal Complaint and Public Statement, which was docketed at Docket No. C-2011-2224941.

7. On February 14, 2011, the Company filed with the Commission Supplement No. 164 to Tariff Gas Pa. P.U.C. No. 9 ("Supplement No. 164"). Supplement No. 164, issued February 14, 2011 with an effective date of March 15, 2011, suspended the proposed rates contained in Tariff Supplement No. 163 until March 18, 2011, to permit further time for the Commission to adopt its Investigation Order.

8. On February 15, 2011, the NGS Intervenors filed a Petition to Intervene.

9. On February 18, 2011, CII filed a Formal Complaint, which was docketed at Docket No. C-2011-2227004.

10. PSU filed a Formal Complaint on March 4, 2011, which was docketed at Docket No. C-2011-2230067.

11. On March 14, 2011, Columbia served Supplemental Direct Testimony and related exhibits of Mark R. Kempic, John J. Spanos, Marianne L. Schuster, Danny G. Cote and John M. O'Brien related to revisions to Future Test Year Plant Additions and income taxes.

12. On March 17, 2011, OTS filed a Notice of Appearance.

13. In an Order entered March 17, 2011, the Commission initiated an investigation of Columbia's proposed general rate increase. Supplement No. 163 was suspended by operation of law pursuant to Section 1308(d) of the Public Utility Code, 66 Pa.C.S. § 1308(d), for up to seven months or until October 18, 2011, unless permitted by Commission Order to become effective at

an earlier date. In its Investigation Order, the Commission also identified several areas of concern to be investigated and addressed by the parties in this proceeding.

14. On March 18, 2011, Columbia filed with the Commission Supplement No. 165 to Tariff Gas Pa. P.U.C. No. 9 (“Supplement No. 165”). Supplement No. 165, issued March 18, 2011 with an effective date of March 18, 2011, suspended the proposed rates contained in Tariff Supplement No. 163 until October 18, 2011.

15. On March 22, 2011, PCOC filed an Entry of Appearance and a Formal Complaint, which was docketed at Docket No. C-2011-2232186.

16. Columbia was served with Formal Complaints by the following customers: James Landis, Docket No. C-2011-2224944; Marie Weaver, Docket No. C-2011-2225050; Margaret Sentz, Docket No. C-2011-2225828; Albert Jochen, Docket No. C-2011-2225878; Patsy Orlando, Docket No. C-2011-2227222; and Maureen A. Doerr-Roman, Docket No. C-2011-22310105.

17. A prehearing conference was scheduled for March 23, 2011. Joint Petitioners who participated in the prehearing conference filed prehearing memoranda identifying potential issues and witnesses.

18. The initial Prehearing Conference was held as scheduled on March 23, 2011. At the prehearing conference, ALJ Dunderdale established the litigation schedule. The ALJ also set forth discovery rules, which included shorter response times than those provided in the Commission’s regulations. See 52 Pa. Code §§ 5.341 *et seq.*

19. On March 24, 2011, the ALJ issued a Prehearing Order that confirmed the litigation schedule established at the Prehearing Conference.

20. On April 18, 2011, the ALJ issued an Order Scheduling Public Input Hearings in Columbia’s service territory. Pursuant to this Order, one public input hearing was held on May

16, 2011 at 1:00 p.m. in Pittsburgh, Pennsylvania, and one public input hearing was held on May 16, 2011 at 6:00 p.m. in Beaver Falls, Pennsylvania.

21. The Joint Petitioners conducted substantial formal and informal discovery in this proceeding. Pursuant to the established litigation schedule, OTS, OCA, OSBA, CII, PSU, PCOC and the NGS Intervenors distributed direct testimony and exhibits on April 25, 2011.

22. OTS provided supplemental direct testimony on May 13, 2011.

23. Columbia, OCA, OSBA, PSU, PCOC and the NGS Intervenors distributed rebuttal testimony and exhibits on May 20, 2011.

24. On May 25, 2011, PCOC filed an Application for Issuance of a Subpoena to the Department of Public Welfare ("DPW").

25. On June 1, 2011, surrebuttal testimony and exhibits were distributed by Columbia, OCA, OSBA, OTS, PSU, PCOC, CII and the NGS Intervenors.

26. On June 2, 2011, Columbia filed an unopposed Motion for Protective Order.

27. On June 3, 2011, ALJ Dunderdale issued a Protective Order for this consolidated proceeding.

28. By letter dated June 3, 2011, DPW responded to PCOC's Application for Issuance of a Subpoena.

29. On June 6, 2011, Columbia and OCA filed letter responses to the PCOC Application for Issuance of a Subpoena. In addition, PCOC filed a notice of withdrawal of its Application for Issuance of a Subpoena.

30. On June 9, 2011, Columbia distributed Rejoinder Testimony and exhibits. In addition, OCA distributed Supplemental Rebuttal Testimony and exhibits.

31. 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, a settlement in principle of all but two issues was achieved by the Joint Petitioners, thereby negating the need for the scheduled evidentiary hearings on most issues. The Parties subsequently agreed to waive cross-examination on the two issues that remain in dispute. Therefore, the Joint Petitioners requested the ALJ hold a hearing to allow for the introduction and admission into evidence of Columbia's filing, testimony and exhibits and the testimony and exhibits filed by the other parties during the course of the proceeding, and to rule on admission of DPW's letter response to PCOC's subpoena. The hearing was held before the ALJ on June 10, 2011.

32. The Joint Petitioners have been able to agree to the Settlement covering all but two issues in the proceeding. The two issues reserved for litigation concern rate design for residential customers and PCOC's challenge to Columbia's existing Customer Assistance Program ("CAP") Plus model. 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 the non-residential 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.

33. In the Settlement, the Joint Petitioners have proposed that rates be designed to produce an additional \$17.0 million in annual operating revenues instead of the Company's filed increase request of about \$37.8 million.

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

III. SETTLEMENT

35. 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 two issues previously identified, is in the

public interest. The Joint Petitioners respectfully request that the 2011 Base Rate Filing, including those tariff changes included in Supplement No. 163 and specifically identified in Appendix "C" attached hereto, be approved subject to the terms and conditions of this Settlement specified below:

A. REVENUE REQUIREMENT

36. Rates will be designed to produce an increase in operating revenues of \$17.0 million based upon the pro forma level of operations at September 30, 2011.

37. Commencing with the effective date of rates in this proceeding, Columbia shall convert from flow through to normalization accounting procedures with respect to the benefits of the tax repairs deduction. In addition, with regard to the \$37,487,634 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 \$33,557,479 million shall be amortized over 2.25 years, rather than the current 10 year pass back period. This accelerated amortization results in an annual reduction of \$14,914,435 million to the Company's claimed income tax expense. The amortization shall continue to be without interest and without a deduction of the unamortized balance from rate base. Any change in the refund amount, above or below the \$37,487,634, shall be reflected in accumulated deferred income taxes to be created under the normalization method adopted by this Settlement.

38. Columbia will be permitted to recover the amortization of costs related to the following:

- i. Long Wall Mining – Continuation of previously-approved five year amortization of the total amount of \$266,189 related to long wall mining costs that began on October 28, 2008.

- 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 (\$33,557,479) at \$14,914,435 per year for 2.25 years as per the Company’s Supplemental Direct Testimony beginning upon implementation of rates approved at this Docket.

39. Commencing with the effective date of rates, Columbia will be permitted 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 \$1,898,955. Only those amounts attributable to operation and maintenance would be deferred and recognized as a regulatory asset or liability. Amounts recorded as a regulatory asset or liability will be collected from or returned to customers in the next rate proceeding. Columbia will report the deferrals in its next base rate filing. In addition, rates reflect the amortization of deferred OPEB amounts to be refunded of \$1,500,000 annually.

40. Columbia will continue to deposit into irrevocable trusts the gross annual OPEB accrual. This amount includes the annual expense calculated by its actuary pursuant to ASC 715 and the annual amortization of the transition obligation. If annual amounts deposited into 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.

B. REVENUE ALLOCATION AND RATE DESIGN

41. Revenue allocation shall be as set forth in Appendix "A." Rate design for all classes other than residential rate classes shall be as set forth in Appendix "B." Revenue allocation and non-residential rate design reflect a compromise, and do not endorse any particular cost of service study result.

42. This Settlement resolves all revenue requirement and universal service issues except the challenge by PCOC to Columbia's continued use of CAP-Plus, which remains at issue. The Settlement also does not resolve issues related to residential rate design.

43. It is agreed that Commission resolution of the issues that continue to be litigated does not and shall not affect or otherwise alter the agreed upon revenue requirement amount identified in this Settlement.

44. Both the Company and OTS residential rate design proposals increase revenue stability with the Company proposal providing for a greater degree of stability. As such, the adoption of either would give rise to a corresponding adjustment to the cost of common equity to reflect such increased stability.

45. OTS and Columbia have considered the effects of such increased revenue stability in establishing the revenue requirement in this proceeding.

46. As stated in paragraph 68 below, the issues related to residential rate design continue to be fully litigated and detailed positions on those issues have been placed on the record by a number of parties to this proceeding.

C. DTH BILLING

47. Columbia currently bills customers on an Mcf basis. As part of its filing in the *BTU factor proceeding*, Columbia proposed to adjust customers' Mcf billings by a BTU factor adjustment, to reflect the relative heat content of gas used by customers in different areas of

Columbia's service territory. In addition, as part of its filing in this case, Columbia forecasted its future test year volumes based on a heat factor of 1.097 Dth per Mcf. Subject to the continued litigation of residential rate design as stated in paragraph 68, Columbia accepts OCA's proposal to bill base rates and commodity costs on a Dth basis, in lieu of the adjustment mechanism proposed by the Company in its filing. Under the OCA method, the Dth per Mcf conversion will be determined for each Pipeline Scheduling Point ("PSP") area on a monthly basis, and applied to the volumetric (Mcf) meter read for each customer in each PSP in each month. To provide time for education of customers and conversion to Dth billing, Dth billing shall begin no later than with bills rendered June 2012. Prior to implementing the billing unit change, Columbia will work with the Parties to reconcile the data Columbia uses to measure gas received and the throughput data Columbia uses for rate design and billing – system-wide and by PSP area. Rates from the effective date of the Commission's final order until the commencement of Dth billing will be on an Mcf basis, without a BTU adjustment applied to customers' bills. The Company will submit compliance tariffs both on an Mcf and a Dth basis.

- i. Pro forma future test year volumes on an Mcf Basis as presented by Columbia will be revised to reflect 1.073 Dth per Mcf, based on the actual heat content in the historical year, and rates will be developed on these volumes. These volumetric rates will apply during the interim period, ending by June 2012, while Columbia is converting to Dth billing and educating its customers about the billing change. For non-residential customers, these volumes and rates are shown in Appendix B.
- ii. The base rates on a Dth basis will be designed on billing units reflecting Columbia's pro forma test year billing units as set forth in subpart i, with the

Mcf quantities converted to Dth at 1.073 Dth per Mcf. These rates will apply to Dth billing, which will begin (as stated above) no later than June 2012.

D. UNIVERSAL SERVICE AND CONSERVATION

48. Columbia withdraws its proposal to implement its Safe at Home Senior Program, its Senior Universal Service Program (“USP”) Rider Waiver and its Senior Flexible Due Date Program.

49. Any changes in the CAP Plus approach, including programming changes, will be reflected under Columbia’s Universal Service Rider.

50. Commencing with 2012, Columbia will implement a two-year pilot program (“Pilot”) to evaluate all CAP customers with a CAP credit of \$1,000 or more (“Maximum CAP Credit”). The initial Maximum CAP Credit of \$1,000, effective January 1, 2012 will be adjusted each January 1, commencing January 1, 2013, to reflect the percentage increase or decrease in PGC rates approved for the period commencing on October 1 of the immediately preceding year as compared to PGC rates that become effective October 1, 2011. The Maximum CAP Credit shall also be adjusted for any increase in base rates subsequent to the increase in base rates in these consolidated proceedings.

51. Upon commencement of the Pilot, Columbia will evaluate each CAP customer that exceeds the Maximum CAP Credit. Columbia will review the list for customers with the highest consumption that have not received weatherization services through Columbia’s Low Income Usage Reduction Program (“LIURP”). Columbia will prioritize those customers for weatherization within the parameters of Columbia’s LIURP. Columbia will survey the remaining customers to determine the existence of any control limit exceptions as defined in the CAP policy statement. The 200 highest users that have received LIURP weatherization, and to whom a valid control limit exception does not apply, will be referred to the Remedial Energy

Efficiency Program (“REEP” – previously known as “HURP”) in Columbia's approved Universal Service and Energy Conservation Plan. After twelve months of participation in the REEP, any customers who have not reduced their consumption will have their CAP payments raised. Columbia will review the remaining accounts that do not qualify with a valid exception individually, and raise payments such that the CAP discount for the next twelve month period is projected to be less than the Maximum CAP Credit.

52. Columbia will provide a status report once the survey is completed, which will include the number of customers who fall within the three categories identified above. Then, Columbia will track the customers in each category, and one year after the survey, Columbia will provide a report on all Pilot customers' current account status and any program consumption savings results. Columbia will provide an annual cost of the program including administrative costs, programming costs, as well as uncollectible expenses. All of the reports referred to in this paragraph will be served upon the parties of record in this proceeding.

53. At the end of two years, the Pilot will be evaluated on a cost benefit basis. All administrative costs for this Pilot will be recovered through the USP Rider.

54. There will be an increase in annual LIURP funding from \$3,000,000 to \$4,000,000, commencing with the effective date of rates in this proceeding. This \$1 million increase in LIURP spending is reflected in the agreed-upon \$17 million increase in operating revenue, as shown in Paragraph 36. LIURP funding will continue to be recovered under Rider USP. Any resulting unspent balance in the designated LIURP fund account shall carry over and shall remain in that account.

55. In recognition of the additional LIURP funding provided by this Settlement, Columbia withdraws the proposed Pilot Home Energy Efficiency Program at this time.

56. Columbia agrees that it will continue to waive late payment charges as to CAP customers and customers with incomes equal to or less than 150% of the Federal Poverty Level that enter into payment arrangements with Columbia, as long as such customers comply with such payment arrangements.

E. DSIC

57. Columbia withdraws its Rider DSIC proposal from this proceeding. However, Columbia reserves the right to propose a DSIC if authorized by the General Assembly, to reflect amounts not included in rate base in this proceeding. In calculating any future DSIC charge related to eligible facilities included in the six months immediately following the Future Test Year of this case, Columbia will deduct \$11.6 million. That deduction will reflect the inclusion in rate base of CWIP as of September 30, 2011, in the calculation of revenue requirement under this Settlement. All Parties reserve the right to oppose any filing by Columbia proposing a DSIC and to challenge the details of how the DSIC will be calculated.

F. NATURAL GAS SUPPLIER ISSUES

58. Columbia agrees to raise the volumetric limit under Rate SCD – Small Commercial Distribution to 6,000 Mcf/year. Customer charges for Rate SCD will be the same as those for Rate SGSS as shown in Appendix B. Eligible customers will be permitted to switch between Small General Distribution Service (“SGDS”) and Choice in accordance with the expiration and renewal terms of their existing General Distribution Agreement.

59. Columbia agrees to provide natural gas suppliers with a rescind file, which will notify suppliers if a newly enrolled distribution service customer has elected not to complete an enrollment within 10 days of signing up with a natural gas supplier.

60. Columbia agrees to provide on a monthly basis to each natural gas supplier actively serving customers on Columbia’s system, without charge, a synchronization list (ACT file).

61. Columbia agrees to discuss the remaining administrative process/rules issues in a separate collaborative process with the NGS Parties to begin as soon as practical. For purposes of this provision the issues to be discussed will include: data retention, elimination of fees, discontinuance of “black-out dates”, and drop the practice of check digits.

62. Columbia agrees to revise the cash in/ cash out adjustment factors as follows:

RADS SECTION:	UNDER	ADJUSTMENT
3.6.4(1)	0%-10%	120%
	10.01% AND OVER	130%
3.6.4(2)	OVER	
	0%-10%	80%
	10.01% AND OVER	70%
3.11.4	UNDER	
	0%-5.00%	105%
	5.01%-10%	110%
	10.01%-15.00%	120%
	15.01% AND OVER	130%
3.12.4	OVER	
	0%-5.00%	95%
	5.01%-10%	90%
	10.01%-15.00%	80%
	15.01% AND OVER	70%

63. Columbia agrees to limit the availability of Rate NSS to competitive situations, where a customer would not initiate service from Columbia or would no longer take service from Columbia, but for the availability of service under Rate NSS. Columbia agrees to transition existing NSS customers that are not in competitive situations to other services (Sales or Transportation) upon contract expiration but no later than July 1, 2012.

64. All other NGS Parties' proposals in this proceeding are withdrawn. In addition, the NGS Parties agree, individually and collectively, that for a period of thirty (30) months from the effective date of the final order in this case, they will not present any of the withdrawn proposals either through the filing of a separate complaint, petition or application, or through intervention in a base rate or other proceeding of Columbia.

65. Commencing with the effective date of rates in this proceeding, the unbundled gas cost portion of uncollectible accounts, also referred to as the uncollectible expense ratio for purposes of Columbia's Purchase of Receivables Program, shall be 1.52%. As a result, the discount rate for purchased Choice NGS receivables shall be 2.11% (1.52% + 0.59% administrative adder).

G. FLEXED RATES

66. Columbia agrees to join with OTS, OCA and/or OSBA in a request that the Commission initiate a generic investigation or rulemaking to address whether flex discounts solely as a result of competition from other NGDCs should be permitted to continue and, if permitted to continue, under what circumstances it will be considered appropriate. Other Parties reserve the right to challenge the necessity for any such investigation or rulemaking. The terms and conditions of this Settlement proposal are in no way conditioned upon the Commission commencing the requested generic investigation or rulemaking.

67. Columbia agrees to clarify the process to be used for affidavits related to flex rates, and to maintain requested customer information confidential as follows:

- a) In implementing the provisions of Tariff Rule 20 - Flexible Rate Provisions, Columbia shall require that the customer provide the "all-in" burner tip price in its sworn affidavit for Columbia to evaluate whether a flexed rate should be offered to the customer. Columbia shall undertake its own review of the facts surrounding the customer's competitive alternatives to assess the reasonableness of the asserted price. In accordance with its tariff, if Columbia has questions concerning the reasonableness of the asserted price, Columbia reserves the right to verify

the accuracy of statements included in this affidavit. Columbia commits that it will make initial requests to verify the accuracy of statements included in a customer's affidavit based on non-confidential information. To the extent that Columbia then requests additional confidential information, upon customer's written request, Columbia will have the ability to review such confidential information at the customer's place of business, but will not be permitted to remove documents containing confidential information from the customer's place of business. However, Columbia will be permitted to take notes of information provided to allow it to analyze the requested flex, subject to the confidentiality agreement below. In addition, Columbia affirmatively agrees that customer may redact all supplier identifying information prior to allowing the Company to review any confidential information. Further, Columbia shall agree to enter into a confidentiality agreement, which shall provide that: (1) the requested information is competitively sensitive, proprietary in nature, and confidential and will only be used for evaluating whether to extend a flexed rate offer to the customer; and (2) distribution of such confidential information shall be limited to only those employees involved with negotiating and approving flexed agreements. Columbia confirms that the employees involved with negotiating and approving flexed agreements will not provide any confidential information to the department responsible for pricing the Negotiated Sales Service.

- b) Columbia shall not further release such information except where required as part of Commission proceedings, or where the law or a court requires disclosure. In the event Columbia is requested to disclose such information, Columbia shall advise the affected customer with as much advance notice as possible. If a customer refuses to provide requested information, Columbia may take such refusal into account in deciding whether to offer a flexed rate.
- c) Columbia agrees that interested parties will have the ability to review and provide input regarding the above mentioned confidentiality agreement prior to finalizing same. Columbia recognizes that modifications to the pro forma confidentiality agreement may be necessary to meet individual customers' needs.
- d) This process will not affect any statutory party's right to review and challenge Columbia's rate recovery of discounts from flex rate agreements in future cases.

H. RESERVED ISSUES FOR LITIGATION

68. The reserved issues for litigation are residential rate design and the challenge by PCOC to Columbia's continued use of CAP-Plus.

IV. SETTLEMENT IS IN THE PUBLIC INTEREST

69. 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.

70. 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.

71. 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

72. 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.

73. 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.

74. 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.

75. 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.

76. 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.

77. 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.

78. 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.

79. 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 two reserved issues for litigation.

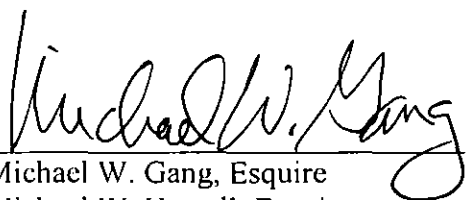
WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

1. That the Honorable Administrative Law Judge Katrina L. Dunderdale and the Commission approve this Settlement including all terms and conditions thereof, without modification;

2. That the Commission's investigation at PUC Dockets R-2010-2215623 and R-20102201974 and the complaints of OSBA, OCA, CII, PSU and PCOC at Docket Nos. C-2011-2224985, C-2011-2224941, C-2011-2227004, C-2011-2230067 and C-2011-2232186 shall be marked closed with respect to the settled issues;

3. That all customer complaints associated with this proceeding, including the Complaints of James Landis, Marie Weaver, Margaret Sentz, Albert Jochen, Patsy Orlando and Maureen A. Doerr-Roman, at Docket Nos. C-2011-2224944, C-2011-2225050, C-2011-2225828, C-2011-2225878, C-2011-2227222 and C-2011-2231015, respectively, be dismissed.

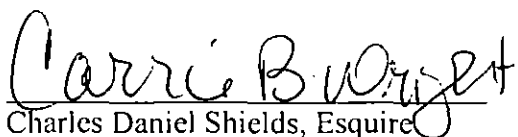
4. That the Commission enter an Order ruling on the reserved issues and authorizing Columbia Gas of Pennsylvania, Inc. to file a tariff or tariff supplement in compliance with the Commission's Order, effective for service rendered on and after the date of the Commission's Order.



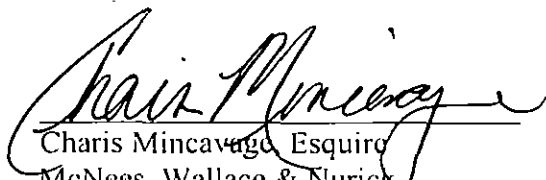
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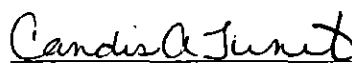


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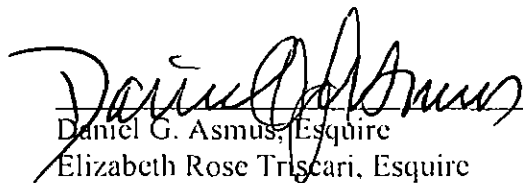


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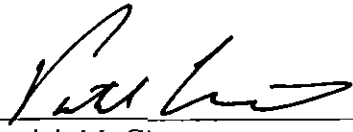
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Organizing for Change d/b/a ACTION

United, Nettie Pelton and Carol Collington

Date: June 30, 2011