

Appendix H

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2010-2215623
	:	
Columbia Gas of Pennsylvania, Inc.	:	

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

The Columbia Industrial Intervenors ("CII"), by and through its counsel, submits that the Joint Petition for Partial 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 14, 2011, filing of Supplement No. 163 to Tariff Gas – Pa. P.U.C. No. 9, which sought to increase Columbia's total annual operating revenues by \$37.8 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"), The Pennsylvania State University ("PSU"), Pennsylvania Communities Organizing for Change d/b/a ACTION United, Nettie Pelton and Carol Collington (collectively, "PCOC") and the Natural Gas Suppliers¹ ("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.

I. BACKGROUND

1. On January 14, 2011, Columbia filed Supplement No. 163 to Tariff Gas – Pa. P.U.C. No. 9 ("Supplement No. 163"), which contained proposed changes in rates, rules, and regulations calculated to produce approximately \$37.8 million, or 7.7%, in additional revenues.

¹ The Natural Gas Suppliers include Dominion Retail, Inc., Shipley Energy Company, and Interstate Gas Supply, Inc.

2. On February 18, 2011, CII submitted a Complaint in the above-captioned proceeding. As noted in Paragraph 5 of CII's Complaint, CII members receive service from Columbia and use substantial volumes of natural gas in their operations. As a result, CII members were concerned that the proposed increase may have an adverse impact upon their operational processes.

3. A Prehearing Conference was held on March 23, 2011, before presiding Administrative Law Judge ("ALJ") Katrina Dunderdale, at which the time the procedural schedule was established. Pursuant to that Schedule, CII submitted the Direct and Surrebuttal Testimony of Mr. Frank Plank (CII Statement No. 1 and 1-S). Specifically, CII raised concerns regarding the Company's requirement to provide the burner tip cost in Mcf equivalent of a customer's alternative fuel, instead of an equivalent distribution rate, as required in the past to obtain a Flexible Distribution Rate. CII's testimony further focused on how this interpretation has negatively affected customers, by requiring customers to submit competitively sensitive pricing information from its Natural Gas Suppliers, as well as other alternative fuel suppliers, in order to be considered for a Flexible Rate.

4. On or about June 6, 2011, the Parties informed the ALJ that a unanimous settlement in principle had been reached on all but two issues, which were reserved for briefing. At that time, the ALJ directed the Joint Petitioners to submit the Joint Settlement and accompanying Statements in Support by June 27, 2011.

II. STATEMENT IN SUPPORT

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

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

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

8. The Joint Petitioners agree that the \$17.0 million rate increase achieved in the Joint Petition is just, reasonable, and in the public interest.

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

10. 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 \$17.0 million, which is approximately 45% of the Company's original request of \$37.8 million.
- d. The Joint Petition provides a just and reasonable means by which to allocate the resulting increase.
- e. The Joint Petition reflects compromises on all sides presented without prejudice to any position any Joint Petitioner may have advanced so far in this proceeding. Similarly, the Joint Petition is presented without prejudice to any position any party may advance in future proceedings involving the Company.

11. In addition, the Joint Petition specifically satisfies the concerns of CII by: (1) lowering the revenue increase amount by approximately 45%; (2) reasonably allocating the proposed increase among the customer classes; (3) withdrawing the proposal for a Distribution System Improvements Charge ("DSIC") mechanism; (4) postponing the Dth per Mcf conversion until approximately June 2012, leaving parties time to reconcile the data the Company uses to measure gas received and throughput data Columbia uses for rate design and billing; (5) establishing a process to

maintain confidentiality of supplier information when the Company seeks additional clarification and verification of customer information produced to justify a Flexible Rate; and (6) confirming that interested parties will have the ability to review and provide input regarding this confidentiality agreement prior to finalizing same.

12. CII supports that 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.

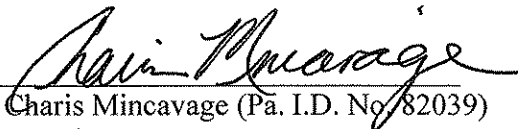
13. As set forth above, CII submits that the Settlement is in the public interest and adheres to the Commission policies promoting negotiated settlements. The Settlement was achieved after numerous settlement discussions. While Joint Petitioners have invested time and resources in the negotiation of 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 of a number of major issues in this proceeding. See 52 Pa. Code § 69.391.

III. CONCLUSION

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

Respectfully submitted,

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