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February 26, 2014

VIA E-FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
400 North Street
Harrisburg, Pennsylvania 17120-3265

Re: Supplement No. 210 to Tariff Gas Pa. P.U.C No. 9 of Columbia Gas of
Pennsylvania, Inc.

Dear Ms. Chiavetta:

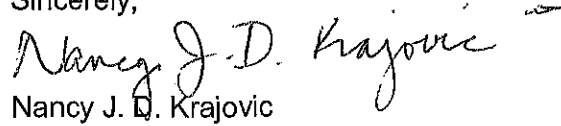
Enclosed for filing is Supplement No. 210 to Columbia Gas of Pennsylvania's ("Columbia's" or "the Company's") Tariff Gas, Pa. P.U.C. No. 9 issued February 26, 2014, to become effective April 28, 2014. Also enclosed are responses to the filing requirements at 52 Pa. Code § 53.52,

Statement of Nature, Reason and Basis

Supplement No. 210 proposes a Pilot Rider New Area Service ("NAS") in an effort to make natural gas service more accessible to Pennsylvanians in Columbia's certificated service territory. Pilot Rider NAS will provide an alternative approach to requiring potential new residential customers to pay a large upfront deposit in order for Columbia to extend its facilities to provide natural gas service. Based upon Columbia's experience, a large upfront deposit can deter customers from taking natural gas service. This is particularly true when the customer is located a significant distance from Columbia's existing facilities. If it is an existing home where the owner is seeking natural gas service, the deposit required from Columbia in addition to the cost of replacing equipment can deter a homeowner from converting to natural gas service. Similarly, when bona fide developers plan a new residential development, the deposit requirement could cause them to decide against installing gas service to the homes or buildings. Given the abundance of low-cost gas that is being produced in Pennsylvania as a result of Marcellus Shale supplies, Columbia, through Pilot Rider NAS, will assist Pennsylvanians to obtain natural gas service.

Copies of this filing have been served on the parties as designated on the certificate of service. If you have any questions regarding the information contained in this filing, please contact me (724) 416-6370 or Ted Gallagher (724) 416-6355 both at the address shown above, or to Columbia's outside counsel, Andy Tubbs, Post & Schell P.C., 17 North Second Street, 12th Floor, Harrisburg, Pennsylvania 17101, (717-612-6057).

Sincerely,


Nancy J. D. Krajovic

Enclosure

Cc: Certificate of Service
Theodore J. Gallagher, Esquire
Andrew S Tubbs, Esquire

CERTIFICATE OF SERVICE

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

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Dated: 02/26/14


Theodore J. Gallagher, Esquire

COLUMBIA GAS OF PENNSYLVANIA, INC.

121 Champion Way, Suite 100

Canonsburg, Pennsylvania

RATES AND RULES

FOR

FURNISHING GAS SERVICE

IN

THE TERRITORY AS DESCRIBED HEREIN

ISSUED: February 26, 2014

EFFECTIVE: April 28, 2014

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

NOTICE

This Tariff Supplement Makes Changes to the Existing Tariff - See List of Changes Made by This Tariff Supplement on Page No. 2.

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
Cover	Tariff Cover Page	Supplement No., Issue and Effective Date
2	List of Changes	List of Changes
4	Table of Contents	Added Pilot Rider NAS
174	Pilot Rider NAS – New Area Service	Explains the Pilot Rider NAS
175	Pilot Rider NAS – New Area Service	Explains the Pilot Rider NAS

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(C)

(C)

(C) Indicates Change

PILOT RIDER NAS - NEW AREA SERVICE

APPLICABILITY

Throughout the Company's service territory for any residential customer seeking natural gas distribution service or commercial and industrial customers so long as the intent of the service is residential customer service.

AVAILABILITY

Available to any residential applicant or bona fide developer (as defined below) who would be required to provide a deposit under Rule No. 8 – Extensions Rule of the Company's tariff for an extension of the Company's distribution facilities.

Pilot Rider NAS will close for new participation on XXXX, 2018 unless an extension is approved by the Commission.

CHARACTER OF RATE

This Pilot Rider NAS has been established to provide customers with an alternative way of paying the deposit required by Rule No. 8 - Extensions of the Company's tariff when an extension of the Company's distribution facilities is not economically feasible based on the anticipated gas requirements. Pilot Rider NAS may be used on a stand-alone basis, or in conjunction with a deposit, in order to eliminate or reduce the amount of the deposit required under Rule No. 8 - Extensions of the Company's tariff. The Pilot Rider NAS will be a flat charge per bill. The Pilot Rider NAS charge shall be calculated separately for each distribution extension project and the charge shall be based on the cost of that particular distribution extension project. The Pilot Rider NAS charge shall be calculated as described below for each customer served from that particular distribution extension project. In any year Columbia will not place an amount greater than \$1,000,000 into this rate rider.

RATE

This rate rider shall be calculated based on the applicant(s) Deposit Amount and spread over a period of 20 years.

CALCULATION OF RATE

Pilot Rider NAS will use the Company's Capital Expenditure Policy to determine the economically unjustified portion of a distribution facility extension project as described in Rule No. 8 - Extensions of the Company's tariff. The Deposit Amount shall be assessed to the applicant using the following calculations:

Residential Distribution Service

When, pursuant to Rule No. 8 - Extensions of the Company's tariff, an applicant is required to provide a refundable cash deposit to the Company equal to the difference between the minimum capital investment required to serve the applicant(s)'s gas requirements and the amount of capital that the Company can justify investing in the project based on the anticipated gas requirements of the applicant(s) and potential future load, the Company shall have the option of allowing the applicant(s) to pay the Deposit Amount over a period of 20 years ("New Area Service Charge"). The 20 year period shall start with the first bill after the first meter is set. The New Area Service

Charge shall appear as a monthly charge on the customer's bill and shall be equal to 1/240 of the difference between the minimum capital investment required to serve the applicant(s)'s gas requirements and the amount of capital that the Company can justify investing in the project, plus interest equal to the fixed cost of capital as approved in the Company's most recent rate case at the time the meter is set. The New Area Service Charge shall be assessed to all customers taking residential natural gas distribution service from the distribution facility extension at any time during the 20 year period.

The maximum New Area Service Charge per month per each residential customer shall be no more than \$35 per month.

In the event that multiple residential service applicants shall be served through the extension of the Company's distribution facilities, each applicant will be assessed an equal portion of the New Area Service Charge.

The customer shall retain the right to pay the remaining balance of the New Area Service Charge at any point in time during the 20 year payback period.

In the event multiple rate classes of applicants shall be served through the extension of the Company's distribution facilities, each class will be assessed its prorated portion of the New Area Service Charge first, then each applicant within each class will be assessed its share as described in this Rider.

Bona Fide Developer

A bona fide developer is a developer of residential dwellings, building in an area where Columbia does not currently provide service and requests to obtain gas service.

PERIODIC ADJUSTMENTS

The Company shall retain the right to adjust customers' deposit in the event that additional meters are added to the distribution facility extension. These adjustments shall only cause decreases in the 20 year payback period.

ADDITIONAL CREDITS

The Company shall retain the right to apply credits, at its sole discretion, to the New Area Service Charge thereby reducing the total amount owed by the Customer during the 20 year period.

TERMS OF PAYMENT

If the customer fails to pay the full amount of any bill a delayed payment penalty charge of one and one-quarter percent (1 1/4%) per month will accrue on the portion of the bill that is unpaid on the due date. The delayed payment penalty charge will not count as money paid towards the Deposit Amount due for any reconciliation period.

Columbia Gas of Pennsylvania, Inc.

Supplement No. 209 to Tariff Gas No. 9

STATEMENT OF REASONS

§ 53.52 Applicability; public utilities other than canal, turnpike, tunnel, bridge and wharf companies.

(a) Whenever a public utility, other than a canal, turnpike, tunnel, bridge or wharf company files a tariff, revision or other supplement effecting changes in the terms and conditions of service rendered or to be rendered, it shall submit to the Commission, with the tariff, revision or supplement, statements showing all of the following:

(1) The specific reasons for each change.

Response: Columbia is proposing Pilot Rider New Area Service (“NAS”) in an effort to make natural gas service more accessible to Pennsylvanians in Columbia’s certificated service territory. Pilot Rider NAS will provide an alternative approach to requiring potential new residential customers to pay a large upfront deposit in order for Columbia to extend its facilities to provide natural gas service. Based upon Columbia’s experience, a large upfront deposit can deter customers from taking natural gas service. This is particularly true when the customer is located a significant distance from Columbia’s existing facilities. If it is an existing home where the owner is seeking natural gas service, the deposit required from Columbia in addition to the cost of replacing equipment can deter a homeowner from converting to natural gas service. Similarly, when bona fide developers plan a new residential development, the deposit requirement could cause them to decide against installing gas service to the homes or buildings. Given the abundance of low-cost gas that is being produced in Pennsylvania as a result of Marcellus Shale supplies, Columbia, through Pilot Rider NAS, will assist Pennsylvanians to obtain natural gas service.

(2) The total number of customers served by the utility.

419,167 customers as of 12/31/13.

Response:

(3) A calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change.

Response: No current customers’ bills will be affected by the change.

(4) The effect of the change on the utility’s customers.

Response: There will be no effect on the utility’s existing customers.

(5) The direct or indirect effect of the proposed change on the utility’s revenues and expenses.

Response: Inasmuch as new customers are added to the system as a result of Pilot Rider NAS, the utility will experience an increase in revenue from these customers as well as an increase in capital expenditures for extending the Company's main line and related O&M expenses on the new facilities. However, recovery associated with the capital expenditures will be accomplished through the Pilot Rider NAS surcharge billed to the new customers and the increase in O&M expenses will be recovered through the incremental distribution revenues from the new customers added to the system.

(6) The effect of the change on the service rendered by the Company.

Response: The proposed changes will not impact the character or level of service that the Company provides to its customers, but will expand service to areas that do not currently have natural gas service.

(7) A list of factors considered by the utility in its determination to make the change. The list shall include a statement about why these factors were chosen and the relative importance of each. This subsection does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa. C.S. § 1308 (relating to voluntary changes in rates).

Response: The abundance of natural gas in Pennsylvania, the increased demand from consumers to use natural gas, and the existing barriers for conversion to natural gas were considered by the Company in making this change. The Company has designed an innovative way to remove the initial up-front financial burden of converting to natural gas for customers so that more Pennsylvanians may benefit from low cost natural gas for their energy needs.

(8) Studies undertaken by the utility in order to draft its proposed change. This does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa. C.S. § 1308.

Response: The Company's experience is that potential customers are often deterred from converting to natural gas because of large upfront costs associated with extending the Company's main to serve the customer. In light of this, the Company has developed an alternative method for customers to pay for the main extension to their property through Pilot Rider NAS. Specifically, eligible residential customers and bona fide residential developers will be able to pay for all or a portion of the costs to extend Columbia's facilities through an additional monthly charge, not to exceed \$35, payable over a period of 20 years rather than through a large upfront deposit. Customers will limit amounts available through Pilot Rider NAS to a maximum of \$1 million per calendar year.

(9) Customer polls taken and other documents which indicate customer acceptance and desire for the proposed change.

Response: Columbia has not solicited customer input relative to the proposed tariff modification. However, in accordance with the settlement of its 2012 base rate proceeding at Docket No. R-2012-2321748, Columbia met with and solicited input from interested stakeholders regarding the design and operation of Pilot Rider NAS.

(10) Plans the utility has for introducing or implementing the changes with respect to its ratepayers.

Response: The Company may make Pilot Rider NAS available to any residential applicant or bona fide residential developer who would be required to provide a deposit under Rule No. 8 – Extensions Rule of the Company’s tariff for an extension of the Company’s distribution facilities.

(11) FCC, FERC or Commission orders or rulings applicable to the filing.

Response: The Company is unaware of any orders or rulings that apply to the proposed tariff modifications.

(b) Whenever a public utility, other than a canal, turnpike, tunnel, bridge or wharf company files a tariff, revision or other supplement which will increase or decrease the bills to its customers, it shall submit in addition to the requirements of subsection (a), to the Commission, with the tariff, revision or supplement, statements showing the following:

(1) The specific reasons for each increase or decrease.

Response: Please see the response to § 53.52(a)(3).

(2) The operating income statement of the utility for a 12-month period, the end of which may not be more than 120 days prior to the filing. Water and wastewater utilities with annual revenues under \$100,000 and municipal corporations subject to Commission jurisdiction may provide operating income statements for a 12-month period, the end of which may not be more than 180 days prior to the filing.

Response: The income statement for the 12-month period ending November 30, 2013 is included as Attachment A.

(3) A calculation of the number of customers, by tariff subdivision, whose bills will be increased.

Response: Please see the response to § 53.52(a)(3).

(4) A calculation of the total increases, in dollars, by tariff subdivision, projected to an annual basis.

Response: Please see the response to § 53.52(a)(3).

(5) A calculation of the number of customers, by tariff subdivision, whose bills will be decreased.

Response: Please see the response to § 53.52(a)(3).

(6) A calculation of the total decreases, in dollars, by tariff subdivision, projected to an annual basis.

Response: Please see the response to § 53.52(a)(3).

(c) If a public utility files a tariff, revision or other supplement which it is calculated will increase the bills of a customer or group of customers by an amount, when projected to an annual basis, exceeding 3% of the operating revenues of the utility – subsection (b)(4) divided by the operating revenues of the utility for a twelve month period as defined in subsection (b)(2) – or which it is calculated will increase the bills of 5% or more of the number of customers served by the utility – subsection (b)(3) divided by subsection (a)(2) – it shall submit to the Commission with the tariff, revision or supplement, in addition to the statements required by subsections (a) and (b) all of the following information:

(1) A statement showing the utility's calculation of the rate of return or operating ratio (if the utility qualifies to use an operating ratio under § 53.54 (relating to small water and wastewater utilities) earned in the 12-month period referred to in subsection (b)(2), and the anticipated rate of return or operating ratio to be earned when the tariff, revision or supplement becomes effective. The rate base used in this calculation shall be supported by the summaries of original cost for the rate of return calculation. When an operating ratio is used in this calculation, it shall be supported by studies of margin above operation and maintenance expense plus depreciation as referred to in § 53.54(b)(2)(B).

Response: The proposed change will not amount to an increase in excess of 3% of the total gross annual intrastate operating revenues of Columbia nor will it affect the bills of more than 5% of the Company's customers.

(2) A detailed balance sheet of the utility as of the close of the period referred to in subsection (b)(2).

Response: N/A.

(3) A summary, by detailed plant accounts, of the book value of the property of the utility at the date of the balance sheet required by paragraph (2).

Response: N/A.

(4) A statement showing the amount of the depreciation reserve, at the date of the balance sheet required by paragraph (2), applicable to the property, summarized as required by paragraph (3).

Response: N/A.

(5) A statement of operating income, setting forth the operating revenues and expenses by detailed accounts for the 12-month period ending on the date of the balance sheet required by paragraph (2).

Response: N/A.

- (6) A brief description of a major change in the operating or financial condition of the utility occurring between the date of the balance sheet required by paragraph (2) and the date of the transmittal of the tariff, revision or supplement.

Response: N/A.

1 Q. Please state your name and business address.

2 A. My name is Erich Evans and my business address is 200 Civic Center Drive,
3 Columbus, Ohio.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by NiSource Corporate Services Company ("NCSC"), as Director
6 of Regulatory Strategy.

7 Q. What are your responsibilities as Director of Regulatory Strategy?

8 A. I am responsible for the research and development of strategy and programs for
9 the gas distribution segment of NiSource Inc., as well as research and study of gas
10 utility best practices.

11 Q. Please describe your professional experience and educational background.

12 A. I have been employed in various capacities with NCSC since 2003 in positions of
13 increasing responsibility. I started with the Company as Manager, Gas
14 Transportation and Sales support. In 2004 I was promoted to Director, Gas
15 Transportation and Sales Support; in 2006 I became the Director, Distribution
16 Customer Programs; in 2007 I became the Director, Commodity & Performance;
17 and in 2010 I assumed my current role as Director of Regulatory Strategy. Prior
18 to joining NCSC I held various positions with CSC Energy Services and Enron
19 Energy Services. I graduated from Miami University with a Bachelor's degree,
20 majoring in Economics. In addition, I have attended a variety of seminars on risk
21 management, project management, and finance sponsored by various trade
22 associations.

1 Q. Have you previously testified before the Pennsylvania Public Utility Commission
2 or any other state regulatory commissions?

3 A. Yes, I have submitted testimony before the Pennsylvania Public Utility
4 Commission and the Kentucky Public Service Commission.

5 Q. What is the scope of your testimony in this proceeding?

6 A. I am presenting and describing an optional rider that Columbia Gas of Pennsyl-
7 vania, Inc. ("Columbia" or "the Company") proposes to provide to its customers
8 for distribution line extensions. Specifically, my testimony presents a new pilot
9 rider that is designed to provide an additional option for customers who are re-
10 questing new gas distribution service from the Company in areas that do not
11 presently have gas distribution facilities.

12 Q. Can you describe the proposed changes?

13 A. Columbia is proposing an addition to its tariff called "Pilot Rider NAS - New Area
14 Service" ("NAS"), as reflected in Supplement No. 210 to Tariff Gas Pa. P.U.C. No.
15 9 ("Supplement No. 210"). Supplement No. 210 is issued February 26, 2014, to
16 be effective April 28, 2014. Pilot Rider NAS will provide an alternative approach
17 to paying deposits for facility extensions. Columbia's current procedure for any
18 extension of Columbia's facilities to serve new customers is to perform an
19 economic analysis. If the full cost of the extension cannot be justified by projected
20 revenues, Columbia requests payment of an up-front deposit for the amount
21 greater than the maximum allowable investment (the "excess amount"), pursuant
22 to Section 8.2 of its tariff. Pilot Rider NAS would allow all or a portion of the
23 excess amount to be recovered through an additional monthly charge payable

1 over a period of 20 years rather than a lump sum payment of the deposit. This
2 would significantly reduce the upfront cost of obtaining natural gas service from
3 Columbia where Columbia does not currently have facilities available.

4 Q. Why does Columbia propose to make this change?

5 A. Columbia proposes this change in an effort to make natural gas service more ac-
6 cessible to Pennsylvanians. In many cases, the economic analysis shows that a
7 large upfront payment is needed for Columbia to extend its facilities. This up-
8 front cost can deter customers from taking natural gas service. This is particular-
9 ly true when the customer is located a significant distance from Columbia's exist-
10 ing facilities. If it is an existing home where the owner is seeking natural gas ser-
11 vice, the deposit required from Columbia in addition to the cost of replacing
12 equipment can deter a homeowner from converting to natural gas service. Simi-
13 larly, when developers plan a new development, the deposit requirement could
14 cause them to decide against installing gas service to the homes or buildings.
15 Given the abundance of low-cost gas that is being produced in Pennsylvania as a
16 result of Marcellus Shale supplies, Columbia is committed to making it as easy as
17 possible for Pennsylvanians to obtain natural gas service.

18 Q. How long is Columbia proposing that this Pilot remain in effect?

19 A. Columbia is proposing to implement the rider as a four year pilot. This will give
20 Columbia an opportunity to gauge its effectiveness and determine customer ac-
21 ceptance. However, any project established under Pilot Rider NAS will continue
22 for the full payment term, even if the rider is retired or amended after the pilot
23 period.

1 Q. When will the pilot start?

2 A. The pilot will start on the date that the Commission approves the rider as being
3 effective.

4 Q. Who will be eligible for this pilot?

5 A. The pilot has been designed to assist residential customers and bona fide devel-
6 opers of residential properties who are seeking gas service.

7 Q. What if a project is a combination of residential and commercial buildings, would
8 they be excluded from the pilot?

9 A. The commercial buildings would be excluded. In this situation, if a deposit is due
10 for the project the deposit would be split between the residential homes and the
11 commercial buildings. The residential homes would be able to use Pilot Rider
12 NAS, and the commercial buildings would need to pay their share of the deposit
13 up front.

14 Q. What is a bona fide developer?

15 A. A bona fide developer would be one who is building in an area where Columbia
16 does not currently have service and who is building or developing a large aggre-
17 gation of residential entities who ask to obtain gas service. Consideration shall
18 be based on the number of potential customers, the density of the area seeking
19 service, the potential usage and the cost of extending or expanding service.

20 Q. If it is a bona fide developer who brings the project to Columbia, who pays the
21 monthly Pilot Rider NAS surcharge?

22 A. The Pilot Rider NAS charge always remains with whoever is paying the monthly
23 bill. Therefore the customer would pay the charge.

1 Q. Please describe in detail how this program will work.

2 A. Columbia's initial process for evaluating line extensions will remain unchanged.

3 When an applicant contacts Columbia with a request for new service, Columbia

4 will evaluate the project for projected usage based on volumes supplied by the

5 customer and/or Columbia's usage projections for that project. The project will

6 be reviewed and the cost to extend Columbia's facilities will be determined. Next,

7 Columbia will calculate the projected future revenue over the next 40 years from

8 the new customer(s), based upon projected usage. Columbia will then subtract

9 the net present value of the projected future revenue from the cost to extend the

10 lines. If the result is a positive number then no deposit will be required. If the

11 result is a negative number, then a deposit will be required. The amount of the

12 deposit will be an amount equal to bring the equation to zero.

13 The applicant will then have the option of paying the deposit, as they do today, or

14 the applicant can elect Pilot Rider NAS and have the payment calculated over a

15 20 year period, with a surcharge added to the monthly gas bill. If the project in-

16 volves more than one meter, the payment amount would be split among the me-

17 ters over a 20-year period. The monthly surcharge will include carrying costs for

18 the 20-year period.

19 If the customer is on Pilot Rider NAS, then Columbia would add the full cost of

20 the line extension that is subject to the Rider NAS payment terms to rate base.

21 As customers pay the monthly surcharge, the principal amounts of the payment

22 would then be applied appropriately as a customer advance to reduce rate base

23 and to the cost of service. The interest portion will be a credit to the cost of ser-

1 vice in order to compensate all other customers for the carrying costs, while the
2 reminder of the surcharge will be applied to rate base to reduce the amount. In
3 this way, over the 20 year period the payment amount would be deducted from
4 rate base and all other customers will be compensated.

5 Q. What cost of capital will Columbia use to develop the Rider NAS surcharge?

6 A. Columbia will use their authorized cost of capital in its most recent base rate pro-
7 ceeding. If no ROE was specified in the resolution of the case, then the ROE for
8 purposes of DSIC for gas utilities was published by the Commission will be used
9 as a proxy.

10 Q. Will the monthly Pilot Rider NAS charge ever change?

11 A. No, once the charge is set for a customer it will remain the same for the full 20
12 year period, or until the balance is paid whichever comes first.

13 Q. Will customers be able to select the number of years for the Pilot Rider NAS
14 payment?

15 A. No, for administrative reasons the initial term will be set at 20 years for all cus-
16 tomers. Allowing each customer to pick the number of years would cause addi-
17 tional programming changes and would increase the overall cost of offering this
18 program. However, as I discuss below, under certain circumstances the actual
19 term could change. Furthermore, customers would always maintain the right to
20 pay the balance off early.

21 Q. What will happen at the end of the 20-year period?

22 A. At the end of the 20 years, the surcharge will be removed from the customer's
23 bill.

1 Q. What will happen if the original customer moves and someone else moves in dur-
2 ing the 20-year period?

3 A. The obligation to pay for the line extension will remain with the meter. So in the
4 case of a customer change, the new customer would be billed and would be re-
5 sponsible for the monthly surcharge.

6 Q. What will happen if a customer moving into a house or building does not want to
7 pay the Pilot Rider NAS surcharge?

8 A. Paying the surcharge would be a requirement to obtain service. If the customer
9 did not want to pay the fee then Columbia would not turn on their gas. This
10 would increase the ability to collect on the payment amount.

11 Q. What happens if a customer does not pay the monthly amount?

12 A. Columbia will collect the fee from the customer using its standard collection
13 practices. However, Columbia will not disconnect service for non-payment of the
14 Rider NAS charge.

15 Q. In the event of nonpayment, would Columbia add the amount to their uncollecti-
16 ble expense?

17 A. No, any unpaid portion of the deposit would remain in rate base. Columbia
18 would not increase uncollectible expense because that would pose further costs
19 on all other customers.

20 Q. What will be the order of payment when a customer only makes a partial pay-
21 ment in a month?

22 A. Payment to the Pilot Rider NAS charge would be applied after funds are applied
23 to Columbia's other charges on the bill, but prior to any third party charges.

1 Q. What happens if, within the 20 year payback period, more customers are added
2 to the new lines than expected?

3 A. All new customers who obtain service from the new lines covered under the Pilot
4 Rider NAS would be charged the appropriate surcharge. If more customers are
5 added than anticipated, or if new customers are added to the extended pipelines
6 over time, then the principal amount would be collected over a shorter time
7 frame, and once the balance is zero the payments will stop. In this way the origi-
8 nal customers benefit from added customers because this would, in effect, short-
9 en the payment term.

10 Q. What happens when a new line extension is made off of one that is covered under
11 Pilot Rider NAS?

12 A. In the case of a whole additional extension of Columbia's facilities, it would be
13 considered a new project and would go through Columbia's existing evaluation.
14 Therefore it may or may not end up with a new Pilot Rider NAS surcharge for
15 that extension. It would all depend on the economic analysis.

16 Q. If a new customer being added would want to pay their share of the deposit up
17 front, would they be allowed to do so?

18 A. No, for administrative reasons, all customers in a particular project would receive
19 the surcharge on their bill. They would receive the charge for the remainder of
20 the original 20 year period or until the deposit balance is paid, whichever is
21 shorter. The customer would also be able to pay the balance in full with their
22 first bill from Columbia.

1 Q. Would the addition of more customers than expected cause Columbia to over col-
2 lect the deposit?

3 A. No, in this situation Columbia would cease to collect the monthly surcharge once
4 the full principal amount is collected. This could result in the surcharge being
5 collected in less than 20 years.

6 Q. Is it possible that Columbia could be undercollected at the end of the 20-year pe-
7 riod?

8 A. Yes. For example, Columbia may not fully recover the cost if a meter were inac-
9 tive for a period of time. This would prevent Columbia from billing the charge for
10 those months when the meter was inactive and, ultimately, reduce the amount of
11 the deposit recovered by Columbia. Another scenario that could lead Columbia
12 to be undercollected is in the event that a customer defaults on their payments.

13 Q. What happens if Columbia is undercollected at the end of the 20 years?

14 A. If a project has an unpaid balance at the end of 20 years, that amount would
15 simply remain in Columbia's rate base.

16 Q. Is Columbia proposing to handle all excess amounts under its main extension
17 policy under the Pilot Rider NAS?

18 A. No. Columbia anticipates that some customers may still prefer to pay the deposit
19 up front rather than pay over the 20-year time period—particularly if the deposit
20 is minimal. Columbia is simply offering an additional way for potential custom-
21 ers to contribute toward the cost of a natural gas distribution service extension.

22 Q. Are there any limits to Pilot Rider NAS?

1 A. Yes, Columbia is setting a maximum amount per year of excess amounts that can
2 qualify for the Pilot Rider NAS option. That amount will be a maximum of \$1
3 million per calendar year.

4 Q. Why is Columbia setting a limit on the annual amount that can qualify for Pilot
5 Rider NAS?

6 A. The limit is important to the Company in order to be able to balance construction
7 of new facilities with its other obligations, to provide safe and reliable distribu-
8 tion service and to continue replacing aging infrastructure at its planned acceler-
9 ated pace. The level of new business construction in any year is difficult to fore-
10 cast because it involves many variables. If Pilot Rider NAS is successful, Colum-
11 bia could see such a sharp increase in the number of line extension construction
12 projects that it would not be able to both construct the new distribution systems
13 and also continue its main replacement program as scheduled. While the com-
14 pany is committed to assisting as many people as possible to obtain gas service, it
15 does not want to do so at the expense of other needed pipeline maintenance or
16 replacement.

17 Q. How will Columbia finance this proposal and still maintain its main replacement
18 program?

19 A. The limit on the amount of deposits per year that will be permitted to qualify for
20 Pilot Rider NAS will allow Columbia to maintain its cast iron and bare steel pipe-
21 line replacement program.

22 Q. How did Columbia determine the \$1 million limit for deposits that could qualify
23 for Pilot Rider NAS?

1 A. Columbia reviewed customer deposits over the last five years and saw that it had
2 an average of nearly \$300,000 in customer deposits for line extensions in any
3 given year. Columbia believes allowing the customer to pay the deposit over a 20
4 year period will be very attractive to customers, so Columbia believes the limit
5 needs to be substantially above the historical average to accommodate all of the
6 new line extension projects. Assuming for the sake of argument that future line
7 extension projects are similar in kind and size to prior line extension projects, the
8 \$1 million limit will permit Columbia to have more than three times the number
9 of line extension projects as it has averaged over the last five years.

10 Q. Is Columbia proposing any other limits?

11 A. Yes, the surcharge will be limited to no more than \$35 per month for residential
12 customers.

13 Q. Why is Columbia putting a limit on the amount of the monthly surcharge?

14 A. Columbia is proposing a limit for two reasons. The rider itself has an overall lim-
15 it per year and, therefore, by placing a cap on the monthly surcharge Columbia is
16 able to limit how much of that allotted amount is spent on any one customer.
17 This will allow Columbia to provide this option to a larger number of customers.
18 The second reason is that this limit on the surcharge will also help Columbia
19 manage the total amount spent and, therefore, help protect the main replacement
20 program. If Columbia calculates that the 20 year payment term of an excess
21 amount would exceed the \$35 per month cap, the customer would have the op-
22 tion of paying the remainder as a deposit up front should they want service and
23 to keep the Pilot Rider NAS surcharge under the \$35 per month cap.

1 Q. Does this conclude your Prepared Direct Testimony?

2 A. Yes it does.