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File #: 157573

September 5, 2014

VIA ELECTRONIC FILING

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

**Re: Pennsylvania Public Utility Commission, et al. v. Columbia Gas of Pennsylvania,
Inc.
Docket Nos. R-2014-2406274, etc.**

Dear Secretary Chiavetta:

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

Respectfully submitted,

Michael W. Hassell

MWH/skr
Enclosures

cc: Honorable Mark A. Hoyer
Certificate of Service

CERTIFICATE OF SERVICE

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

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Date: September 5, 2014



Michael W. Hassell

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos. R-2014-2406274
Office of Consumer Advocate	:	C-2014-2413419
Office of Small Business Advocate	:	C-2014-2417238
Columbia Industrial Intervenors	:	C-2014-2418801
Ronald Vanetta	:	C-2014-2416868
John S. Smith	:	C-2014-2416873
Peter Kaczmarek	:	C-2014-2422692
James G. Reedy	:	C-2014-2422693
G. Thomas Smeltzer	:	C-2014-2429053
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc.	:	

JOINT PETITION FOR SETTLEMENT

TO ADMINISTRATIVE LAW JUDGE MARK A. HOYER:

I. INTRODUCTION

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Columbia Industrial Intervenors (“CII”),¹ Interstate Gas Supply, Inc. d/b/a IGS Energy, Shipley Energy Company and Dominion Retail, Inc. d/b/a Dominion Energy Solutions (collectively referred to as “NGS Intervenors”), The Pennsylvania State University (“PSU”), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”) and Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”), parties to the above-captioned proceeding (hereinafter collectively referred to as the “Joint Petitioners”),

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

hereby join in this Joint Petition for Settlement (“Settlement”) and respectfully request that Administrative Law Judge Mark A. Hoyer (the “ALJ”) and the Commission expeditiously approve the Settlement as set forth below. The Settlement has been agreed to by all active parties in this proceeding.²

As fully set forth and explained below, the Joint Petitioners have agreed to a settlement of all issues in the above-captioned general base rate proceeding (the “2014 Base Rate Filing”). Among other provisions, the Settlement provides for increases in rates designed to produce \$32.5 million in additional base rate revenues.

II. BACKGROUND

1. On March 21, 2014, Columbia filed with the Pennsylvania Public Utility Commission (“Commission”) Supplement No. 211 to its Tariff Gas – Pa. P.U.C. No. 9 (“Supplement No. 211” or “base rate filing”). Supplement No. 211, issued March 21, 2014 and to be effective May 20, 2014, proposed an increase in revenues of approximately \$54.1 million which represented an 11.09% increase in operating revenues based upon a pro forma fully projected future test year (“FPFTY”) ending December 31, 2015. The filing was made in compliance with the Commission’s regulations, and contained all supporting data and testimony required to be submitted in conjunction with a tariff change seeking a general rate increase.

2. On April 23, 2014, the Commission issued an Order suspending Columbia’s Supplement No. 211 until December 20, 2014, unless otherwise directed by Order of the Commission.

² In addition to the active parties, five (5) other individual Columbia customers filed Formal Complaints against the Company’s proposed rate increase, as noted below. 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.

3. Formal Complaints were filed on behalf of the Office of Consumer Advocate (C-2014-2413419), the Office of Small Business Advocate (C-2014-2417238), Columbia Industrial Intervenors (C-2014-2418801), Ronald Vanetta (C-2014-2416868), John S. Smith (C-2014-2416873), Peter Kaczmarek (C-2014-2422692), James G. Reedy (C-2014-2422693) and G. Thomas Smeltzer (C-2014-2429053). Further, I&E, OCA, and OSBA filed Notices of Appearance.

4. In addition, on April 4, 2014, a Petition to Intervene was filed by the NGS Intervenors. A Petition to Intervene was filed by CAUSE-PA on April 25, 2014. On April 28, 2014, a Petition to Intervene was filed by PSU.

5. The initial Prehearing Conference was held as scheduled on May 9, 2014. At the prehearing conference, the ALJ established the litigation schedule. The ALJ also set forth discovery rules, which, pursuant to the Joint Petitioners' agreement, included shorter response times than those provided in the Commission's regulations. See 52 Pa. Code §§ 5.341 *et seq.*

6. On May 23, 2014, the ALJ issued a Prehearing Order that confirmed the litigation schedule established at the Prehearing Conference.

7. The Joint Petitioners conducted substantial formal and informal discovery in this proceeding. Pursuant to the established litigation schedule, I&E, OCA, OSBA, the NGS Intervenors, CII, PSU and CAUSE-PA served their direct testimony and exhibits on all active parties June 20, 2014. I&E also served direct testimony on June 23, 2014.

8. Columbia, I&E, OCA, OSBA, CII and PSU served their rebuttal testimony and exhibits on July 15, 2014.

9. On July 28, 2014, Columbia, OCA, OSBA, the NGS Intervenors, and CII served their surrebuttal testimony and exhibits.

10. On July 29, 2014, Columbia, having previously obtained stipulated protective agreements from parties to facilitate the exchange of confidential information, filed an unopposed Motion for Protective Order.

11. On July 31, 2014, Columbia filed rejoinder testimony and exhibits.

12. Also on July 31, 2014, ALJ Hoyer issued a Protective Order for this proceeding.

13. 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 was achieved by the Joint Petitioners.

14. On August 4, 2014, the ALJ held a hearing at which Columbia's filing, testimony and exhibits and the testimony and exhibits served by the other parties during the course of the proceeding were formally introduced and admitted into the evidentiary record.

15. In the Settlement, the Joint Petitioners have proposed that rates be designed to produce an additional \$32.5 million in annual base rate operating revenues instead of the Company's filed increase request of approximately \$54.1 million. Upon approval of the Settlement, Columbia will receive an increase in existing overall base rates of approximately 6.65%, instead of the 11.09% increase proposed in Columbia's filing. A typical residential customer using 72 therms of gas per month will see an increase in their monthly bill from \$87.12 to \$92.71, or by 6.45%, instead of the monthly increase to \$96.20, or 10.42%, that was originally proposed in the filing.³

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

³ In addition to the \$32.5 million increase in base rate revenues, the Settlement also provides for an increase of \$250,000 in Low Income Usage Reduction Program ("LIURP") spending, which will be recovered through the Company's Universal Service Program ("USP") Rider.

III. SETTLEMENT

17. 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 is in the public interest. The Joint Petitioners respectfully request that the 2014 Base Rate Filing, including those tariff changes included in Supplement No. 211 and specifically identified in Appendix "C" attached hereto, be approved subject to the terms and conditions of this Settlement specified below:

A. REVENUE REQUIREMENT

18. Rates will be designed to produce an increase in operating revenues of \$32.5 million based upon the pro forma throughput of 80,000,000 Dth for the twelve months ended December 31, 2015.

19. As of the effective date of rates in this proceeding, Columbia will be eligible to include plant additions in the Distribution System Improvement Charge ("DSIC") once eligible account balances exceed the levels projected by Columbia at December 31, 2015. The foregoing provision is included solely for purposes of calculating the DSIC, and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a FPFTY filing.

20. Columbia will continue to use normalization accounting with respect to the benefits of the tax repairs deduction. In addition, with regard to the \$37.4 million tax refund previously received by Columbia that is attributable to the change in method for the repairs deduction, the remaining amount of \$2,044,714 million shall be amortized over 18 months commencing January 1, 2015. The amortization shall continue to be without interest and without a deduction of the unamortized balance

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

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

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

- (i) NIFIT – Amortization of non-Company labor start-up costs of the new financial software of \$2,029,202, over a five-year period commencing January 1, 2015.
- (ii) Blackhawk Storage – Continuation of the previously-approved 24.5 year amortization of the total amount of \$398,865 to be included on books and in rate base as a regulatory asset to reflect the total original cost that began on October 28, 2008.
- (iii) Tax Credit – Amortization of the unamortized portion of the \$37,487,634 total tax credit of \$2,044,714 over 18 months commencing January 1, 2015.
- (iv) Corporate Services OPEB-Related Costs – Continuation of the previously-approved amortization of the regulatory asset of \$903,131 associated with the transition of NiSource Corporate Services Company from a cash to accrual basis for OPEBs, over a ten-year period that began July 1, 2013.

- (v) CPA OPEB Deferral Passback – Rates reflect the 18 month amortization of the deferred OPEB balance of \$(343,925) at January 1, 2015.

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

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

25. On or before April 1, 2015, Columbia will provide the Commission's Bureau of Technical Utility Services ("TUS"), I&E, OCA and OSBA an update to Columbia Exhibit No. 108, Schedule 1, which will include actual capital expenditures, plant additions, and retirements by month for the twelve months ending December 31,

2014. On or before April 1, 2016, Columbia will update Exhibit No. 108, Schedule 1 filed in this proceeding for the twelve months ending December 31, 2015. In Columbia's next base rate proceeding, the Company will prepare a comparison of its actual expenses and rate base additions for the twelve months ended December 31, 2015 to its projections in this case. However, it is recognized by the Joint Petitioners that this is a black box settlement that is a compromise of Joint Petitioners' positions on various issues.

26. For all future debt issuances during the twelve month periods ending December 31, 2014 and December 31, 2015, Columbia will provide to TUS, I&E, OCA and OSBA, within 60 days of issuance, all loan documentation filed with the Commission in compliance with orders in filings submitted by Columbia pursuant to Chapter 19 of the Pennsylvania Public Utility Code. In addition, Columbia will preserve and provide to I&E, OCA and OSBA as a part of its next base rate case the following: (1) all documentation, including term sheets or estimates from financial institutions, if any, supporting debt issued between this base rate case and the next base rate case; and (2) the Treasury yield as reported in the Federal Reserve Statistical Release, H.15 Selected Interest Rates and the yield spread as reported by Reuters Corporate spreads as of the dates of each issuance.

27. Tariff rates will go into effect on December 20, 2014.

B. REVENUE ALLOCATION AND RATE DESIGN

28. The residential customer charge will remain at the current rate of \$16.75/month.

29. The customer charges for Rate Schedules SGSS/SCD/SGDS shall be \$21.25 per month for customers from 0-6,400 therms and \$48 per month for customers from 6,400-64,400 therms.

30. The revenue allocation to the classes is set forth in Appendix “A.” Rate design for all classes shall be as set forth in Appendix “B.” Revenue allocation and rate design reflect a compromise, and do not endorse any particular cost of service study result.

31. No Choice Administrative Charge (“CAC”) is adopted in this proceeding.

32. A Merchant Function Charge (“MFC”) of 1.5% for residential customers and a MFC of 0.51% for non-residential customers is adopted. These are the charges as filed by the Company. The revised MFC rates shall be reflected in the Purchase of Receivables (“POR”) discount rates.

33. The Company’s Gas Procurement Charge (“GPC”) shall be set at \$0.00695 per therm. The increase in the GPC charge is included in the settlement increase in operating revenues and is accounted for in the design of base rates by removing such amount from the applicable classes on a throughput basis.

34. Columbia’s penalty charges to Shippers for non-delivery shall remain unchanged.

C. TARIFF RULE 8.2.1 – MAIN EXTENSION MODEL

35. The discounted cash flow (“DCF”) model used by Columbia for main extensions will continue to incorporate a tax deductible provision for interest expense with the determination of expected future discounted cash flows.

36. The parties agree that the DCF model that results from the Rider NAS proceeding, at Docket No. R-2014-2407345, will be used by Columbia for all residential main extensions until the next base rate proceeding. In the next base rate proceeding, all parties reserve their right to propose changes to the DCF model.

D. OTHER

37. In all future base rate cases, whether the Company uses a “build-up” or “budget-based” filing format, the schedules for O&M as detailed on Columbia Exhibit No. 104 shall display differences between the pro forma Historic Test Year (“HTY”) and Future Test Year (“FTY”) amounts, as well as the differences between the FTY and FPFTY amounts. The schedules should support the total FPFTY claim amounts, rather than supporting only differences between FTY budget and claim amounts and FPFTY budget and claim amounts. Columbia shall provide further details in future filings explaining increases in budget categories between test periods in whatever form the Company has available or can reasonably produce.

38. Columbia will meet with the Commission’s Gas Safety Division and other parties to identify increasing state, county and municipal requirements that exceed the Pennsylvania Department of Transportation restoration standards and add to the cost of pipeline replacements in an effort to develop coordinated potential responses to such requirements. In furtherance of such meetings, Columbia will undertake audits of the restoration costs for its 10 largest projects in the prior year, identifying costs incurred in excess of the Pennsylvania Department of Transportation restoration standards for paving, sidewalk repair and permitting fees.

39. Columbia will continue its efforts to reduce restoration costs, through efforts including, but not limited to, coordinating pipe replacement projects with other street projects, and replacing pipe using trenchless construction techniques where technically and economically feasible.

40. There will be an increase in annual Warm Wise® LIURP funding from \$4.5 million to \$4.75 million, commencing with the effective date of rates in this

proceeding. This increase is incremental to the increase in operating revenues shown in Paragraph 18. Warm Wise® LIURP funding will continue to be recovered under Rider USP. Any resulting unspent balance in the designated Warm Wise® LIURP funding account shall carry over and shall remain in that account. The parties agree to not propose any further change to LIURP funding for a period of three years commencing with the effective date of the rates in this proceeding.

41. With regard to the Company's Warm Wise® Audits and Rebate program, the income eligibility threshold floor of 151% of Federal Poverty Level will be eliminated. Within six months of the effective date of the rates in this proceeding, the Company will convene a stakeholder meeting, inviting representatives from the electric distribution companies with overlapping service territories who have multifamily programs as a part of their Act 129 portfolio, and interested parties to this proceeding, to examine how its Warm Wise® Audits and Rebates program can be utilized to serve multifamily housing units. For the purposes of this examination, any efficiency measures undertaken in multifamily housing units as part of Columbia's Warm Wise® Audits and Rebate program shall be exclusively in individually-metered units.

42. The proposed changes to Columbia's Rules Applicable to Distribution Service ("RADS") 2.6.1 shall be replaced by the changes set forth on Tariff Pages 30 and 189 as contained in Appendix "C." In the event an Operational Flow Order ("OFO") would apply to a Customer curtailed under the Gas Emergency Rule set forth on Tariff Pages 30 through 35, then the Company would correspondingly adjust the curtailed Customer's OFO level. In addition, in the event of a curtailment under the Gas Emergency Rules, Columbia will notify affected Shippers as soon as possible of customers and quantities curtailed.

43. All other tariff modifications proposed by Columbia, not otherwise addressed by this Settlement, are approved, and are reflected in the pro forma tariff pages attached as Appendix "C."

IV. SETTLEMENT IS IN THE PUBLIC INTEREST

44. 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 nearly all of the Joint Petitioners, which were admitted into the record by stipulation.

45. 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.

46. 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 SETTLEMENT

47. 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.

48. 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.

49. If the Commission does not approve the Settlement and the proceedings continue to further hearings, the Joint Petitioners reserve their respective rights to present additional testimony and to conduct full cross-examination, briefing and argument. The Settlement is made without any admission against, or prejudice to, any position that any Joint Petitioner may adopt in the event of any further litigation in these proceedings.

50. 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.

51. 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.

52. 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.

53. 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.

54. 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.

55. If the ALJ adopts the Settlement without modification, the Joint Petitioners waive their individual rights to file Exceptions with regard to the Settlement.

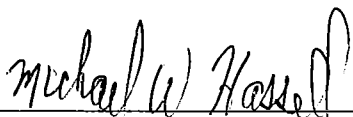
WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

1. That the Honorable Administrative Law Judge Mark A. Hoyer and the Commission approve this Settlement including all terms and conditions thereof, without modification;
2. That the Commission's investigation at Commission Docket No. R-2014-2406274 and the complaints of OSBA, OCA and CII at Docket Nos. C-2014-2413419, C-2014-2417238, and C-2014-2418801 shall be marked closed;
3. That all customer complaints associated with this proceeding, including the Complaints of Ronald Vanetta, John S. Smith, Peter Kaczmarek, James G.

Reedy, and G. Thomas Smeltzer at Docket Nos. C-2014-2416868, C-2014-2416873, C-2014-2422692, C-2014-2422693 and C-2014-2429053, respectively, be marked closed.

4. That the Commission enter an Order consistent with the Settlement, terminating the proceeding and authorizing Columbia Gas of Pennsylvania, Inc. to file the form of tariff supplement attached as Appendix "C" as provided herein for service rendered on and after December 20, 2014.

Respectfully submitted,



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Michael W. Hassell, Esquire
Jessica R. Rogers, Esquire
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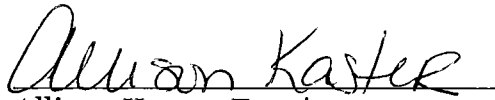
Date: 9/5/2014

And

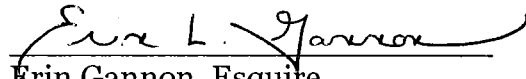
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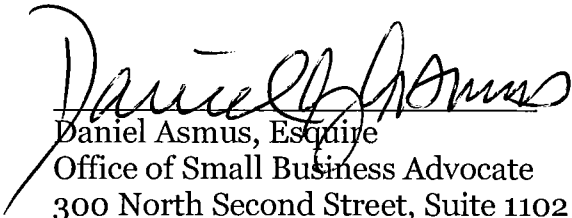
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For: Columbia Gas of Pennsylvania, Inc.



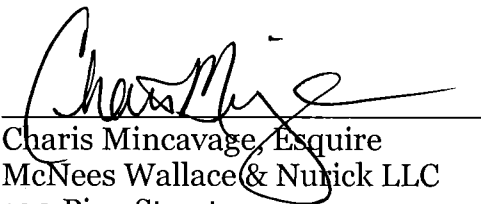
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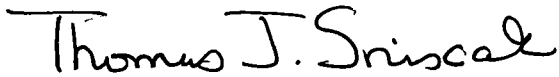
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*For: Coalition for Affordable Utility
Services and Energy Efficiency in
Pennsylvania*

Appendix A

Appendix B

Columbia Gas of Pennsylvania, Inc.
 Revenue @ Proposed Rates Based on Forecast Adjusted Bills and Volumes
 For the 12 Months Ended December 31, 2015

Line No.	Description	Bills (1)	Volumes (2) Dth	Rates (3) \$/Dth	Current Revenue (4) \$	Revenue Increase (5) \$	Proposed Revenue (6) \$	Proposed Rates (7) \$	Percent Increase (8) %
1 Rate Schedule RSS - Residential Sales Service									
2	Customer Charge	3,342,944		16.75	55,994,312	0	55,994,312	16.75	0.00%
3	Commodity Charge:								
4	All Gas Consumed		23,329,255.6	3.5017	81,692,054	16,612,763	98,304,817	4.2138	20.34%
5	Rider USP - Universal Service Plan'		23,329,255.6	0.6118	14,272,839	1,311,104	15,583,943	0.6680	9.19%
6	Rider CC		23,329,255.6	0.0000	0	20,996	20,996	0.0009	0.00%
7	Gas Procurement Charge		23,329,255.6	0.0535	1,248,115	373,268	1,621,383	0.0695	29.91%
8	Subtotal				153,207,320	18,318,131	171,525,451		-100.00%
9	STAS				94,989	(94,989)	0		
10	Base Rate Revenue				153,302,309	18,223,142	171,525,451		
11	Gas Cost		23,329,255.6	5.5316	129,048,110	0	129,048,110	5.5316	0.00%
12	Merchant Function Charge		23,329,255.6	0.0706	1,647,045	0	1,647,045	0.0706	0.00%
13	Total Rate Schedule RSS	3,342,944	23,329,255.6		283,997,464	18,223,142	302,220,606		6.42%

14 Rate Schedule SGSS - Small General Sales Service (< 64,400 Therms Annually)

15	Customer Charge:								
16	≤ 6,440 Therms Annually	273,462		20.18	5,518,463	292,605	5,811,068	21.25	5.30%
17	> 6,440 to ≤ 64,400 Therms Annually	39,981		41.60	1,663,210	255,878	1,919,088	48.00	15.39%
18	Commodity Charge:								
19	All Gas Consumed		8,536,628.5	2.7889	23,807,803	2,984,406	26,792,209	3.1385	12.54%
20	Rider CC		8,536,628.5	0.0000	0	7,683	7,683	0.0009	0.00%
21	Gas Procurement Charge		8,536,628.5	0.0535	456,710	136,586	593,296	0.0695	29.91%
22	Subtotal		8,536,628.5		31,446,186	3,677,158	35,123,344		
23	STAS				19,497	(19,497)	0		
24	Base Rate Revenue				31,465,683	3,657,661	35,123,344		
25	Gas Cost		8,536,628.5	5.5316	47,221,214	0	47,221,214	5.5316	0.00%
26	Merchant Function Charge		8,536,628.5	0.0240	204,879	0	204,879	0.0240	0.00%
27	Total Rate Schedule SGSS	313,443	8,536,628.5		78,891,776	3,657,661	82,549,437		4.64%

Columbia Gas of Pennsylvania, Inc.
Revenue @ Proposed Rates Based on Per Books Adjusted Bills and Volumes
 For the 12 Months Ended December 31, 2015

Exhibit No. 103
 Schedule No. 8
 Page 2 of 8
 Witness: M.J. Bell

Line No.	Description	Bills (1)	Volumes (2) Dth	Base Rate (3) \$/Dth	Current Revenue (4) \$	Revenue Increase (5) \$	Proposed Revenue (6) \$	Proposed Rates (7) \$	Percent Increase (8) %
1 Rate Schedule NSS - Negotiated Sales Service									
2	Customer Charge								
3	>540,000 to ≤ 1,074,000 Therms Annually	12		1,149.00	13,788	0	13,788	1,149.00	
4	Commodity Charge:								
5	>540,000 to ≤ 1,074,000 Therms Annually		61,000.0	0.0935	5,704	6	5,710	0.0936	0.11%
6	Subtotal				19,492	6	19,498		
7	STAS				12	(12)	0		
8	Base Rate Revenue				19,504	(6)	19,498		
9	Gas Cost - Commodity		61,000.0		324,642	0	324,642		
10	Gas Cost - Demand		6,600.0		48,666	0	48,666		
11	Total Rate Schedule NSS	12	61,000.0		392,812	(6)	392,806		
12 Rate Schedule LGSS - Large General Sales Service									
13	Customer Charge:								
14	≤ 110,000 Therms Annually	504		150.00	75,600	10,080	85,680	170.00	13.33%
15	> 110,000 to ≤ 540,000 Therms Annually	323		550.00	177,650	29,070	206,720	640.00	16.36%
16	> 540,000 to ≤ 1,074,000 Therms Annually	12		1,227.00	14,724	876	15,600	1,300.00	5.95%
17	> 1,074,000 to ≤ 3,400,000 Therms Annually	0		2,190.00	0	0	0	2,300.00	0.00%
18	> 3,400,000 to ≤ 7,500,000 Therms Annually	0		4,096.00	0	0	0	4,800.00	0.00%
19	> 7,500,000 Therms Annually	0		7,322.00	0	0	0	7,400.00	0.00%
20	Commodity Charge:								
21	First 1,100.0 Dth		532,274.4	1.9155	1,019,572	162,556	1,182,128	2,2209	15.94%
22	Next 4,300.0 Dth		319,710.5	1.8672	596,963	0	596,963	1,8672	0.00%
23	Next 5,400.0 Dth		28,363.9	1.6663	47,263	0	47,263	1,6663	0.00%
24	Over 10,800.0 Dth		4,747.7	1.1416	5,420	0	5,420	1,1416	0.00%
25	Subtotal		885,096.5						
26	Gas Procurement Charge		885,096.5	0.0535	47,353	14,161	61,514	0.0695	29.91%
27	Subtotal				1,984,545	216,743	2,201,288		
28	STAS				1,230	(1,230)	0		
29	Base Rate Revenue		885,096.5	5.5316	1,985,775	215,513	2,201,288	5.5316	0.00%
30	Gas Cost		885,096.5		4,896,000	0	4,896,000		
31	Total Rate Schedule LGSS	839			6,881,775	215,513	7,097,288		3.13%

(Ex 103, Sch 2)

Columbia Gas of Pennsylvania, Inc.
 Revenue @ Proposed Rates Based on Forecast Adjusted Bills and Volumes
 For the 12 Months Ended December 31, 2015

Line No.	Description	Bills (1)	Volumes (2) Dth	Base Rate (3) \$/Dth	Current Revenue (4) \$	Revenue Increase (5) \$	Proposed Revenue (6) \$	Percent Increase (8) %
1 Tariff Sales Summary by Customer Class								
2	Base Rate Revenue				137,686,366	16,612,763	154,299,129	12.07%
3	STAS				94,989	(94,989)	0	-100.00%
4	Rider USP				14,272,839	1,311,104	15,583,943	9.19%
5	Merchant Function Charge				1,647,045	0	1,647,045	0.00%
6	Gas Procurement Charge				1,248,115	373,268	1,621,383	29.91%
7	Rider CC				0	20,996	20,996	0.00%
8	Gas Cost				<u>129,048,110</u>	<u>0</u>	<u>129,048,110</u>	0.00%
9	Total Residential Sales	3,342,944	23,329,255.6		283,997,464	18,223,142	302,220,606	6.42%
10	Base Rate Revenue				30,989,476	3,532,889	34,522,365	11.40%
11	STAS				19,497	(19,497)	0	-100.00%
12	Merchant Function Charge				204,879	0	204,879	0.00%
13	Gas Procurement Charge				456,710	136,586	593,296	29.91%
14	Rider CC				0	7,683	7,683	0.00%
15	Gas Cost				<u>47,221,214</u>	<u>0</u>	<u>47,221,214</u>	0.00%
16	Total Small General Sales	313,443	8,536,628.5		78,891,776	3,657,661	82,549,437	4.64%
17	Base Rate Revenue				19,492	6	19,498	0.03%
18	STAS				12	(12)	0	-100.00%
19	Gas Cost				<u>373,308</u>	<u>0</u>	<u>373,308</u>	0.00%
20	Total Negotiated Sales	12	61,000.0		392,812	(6)	392,806	0.00%
21	Base Rate Revenue				1,937,192	202,582	2,139,774	10.46%
22	STAS				1,230	(1,230)	0	-100.00%
23	Gas Procurement Charge				47,353	14,161	61,514	29.91%
24	Gas Cost				<u>4,896,000</u>	<u>0</u>	<u>4,896,000</u>	0.00%
25	Total Large General Sales	839	885,096.5		6,881,775	215,513	7,097,288	3.13%
26	Total Tariff Sales	3,657,238	32,811,980.6		370,163,827	22,096,310	392,260,137	5.97%

1/Re-price of USP does not include the additional \$250,000 for LIURP. This would be included as part of the USP calculation in the January 1 Rider USP Filing.

Columbia Gas of Pennsylvania, Inc.
Revenue @ Proposed Rates Based on Forecast Adjusted Bills and Volumes
 For the 12 Months Ended December 31, 2015

Exhibit No. 103
 Schedule No. 8
 Page 4 of 8
 Witness: M.J. Bell

Line No.	Description	Bills (1)	Volumes (2)	Base Rate (3)	Current Revenue (4)	Revenue Increase (5)	Proposed Revenue (6)	Proposed Rates (7)	Percent Increase (8)	
		(1)	Dth	\$/Dth	\$	\$	\$	\$	%	
1 Rate Schedule RDS - Residential Distribution Service (Choice)										
2	Customer Charge	1,085,559		16.75	18,183,113	0	18,183,113	16.75	0.00%	
3	Commodity Charge:									
4	All Gas Consumed		8,092,008.2	3.5017	28,335,785	5,762,319	34,098,104	4.2138	20.34%	
5	Rider USP - Universal Service Plan'		8,092,008.2	0.6118	4,950,691	454,770	5,405,461	0.6680	9.19%	
6	Rider CC		8,092,008.2	0.0000	0	7,283	7,283	0.0009	0.00%	
7	Choice Administration Charge		8,092,008.2	0.0000	0	0	0	0.0000	0.00%	
8	Subtotal				51,469,589	6,224,372	57,693,961			
9	STAS				31,911	(31,911)	0		-100.00%	
10	Base Rate Revenue				51,501,500	6,192,461	57,693,961		0.00%	
11	Gas Cost		8,092,008.2	0.7996	6,470,370	0	6,470,370	0.7996	10.68%	
12	Total Rate Schedule RDS	1,085,559	8,092,008.2		57,971,870	6,192,461	64,164,331			
13 Rate Schedule RCC - Residential Distribution Service (CAP)										
14	Redistribution of CAP Shortfall resulting from proposed rates					(1,764,578)			0.00%	
15	Customer Charge	251,012		16.75	4,204,451	0	4,204,451	16.75	0.00%	
16	Commodity Charge:									
17	All Gas Consumed		2,477,991.6	3.5017	8,677,183	1,764,578	10,441,761	4.2138	20.34%	
18	Subtotal				12,881,634	1,764,578	14,646,212			
19	STAS				7,987	(7,987)	0		-100.00%	
20	Base Rate Revenue		2,477,991.6	0.7996	12,889,621	1,756,591	14,646,212	0.7996	0.00%	
21	Gas Cost		2,477,991.6		1,981,402	0	1,981,402		-0.05%	
22	Total Rate Schedule RCC	251,012	2,477,991.6		14,871,023	(7,987)	14,863,036			
23 Rate Schedule SCD - Small Commercial Distribution (Choice)										
24	Customer Charge									
25	≤ 6,440 Therms Annually	94,433		20.18	1,905,658	101,043	2,006,701	21.25	5.30%	
26	> 6,440 to ≤ 64,400 Therms Annually	6,054		41.60	251,846	38,746	290,592	48.00	15.39%	
27	Commodity Charge:									
28	All Gas Consumed		2,139,019.6	2.7889	5,965,512	747,801	6,713,313	3.1385	12.54%	
29	Rider CC		2,139,019.6	0.0000	0	1,925	1,925	0.0009	0.00%	
30	Choice Administration Charge		2,139,019.6	0.0000	0	0	0	0.0000	0.00%	
31	Subtotal				8,123,016	889,515	9,012,531			
32	STAS				5,036	(5,036)	0		-100.00%	
33	Base Rate Revenue		2,139,019.6	0.7996	8,128,052	884,479	9,012,531	0.7996	0.00%	
34	Gas Cost		2,139,019.6		1,710,360	0	1,710,360		8.99%	
35	Total Rate Schedule SCD	100,487	2,139,019.6		9,838,412	884,479	10,722,891			

Columbia Gas of Pennsylvania, Inc.
Revenue @ Proposed Rates Based on Forecast Adjusted Bills and Volumes
 For the 12 Months Ended December 31, 2015

Exhibit No. 103
 Schedule No. 8
 Page 5 of 8
 Witness: M.J. Bell

Line No.	Description	Bills (1)	Volumes (2)	Base Rate (3)	Current Revenue (4)	Revenue Increase (5)	Proposed Revenue (6)	Proposed Rates (7)	Percent Increase (8)	
		(1)	Dth	\$/Dth	\$	\$	\$	\$	%	
1 Rate Schedule SGDS - Small General Distribution Service										
2	Customer Charge:									
3	≤ 6,440 Therms Annually	7,928		20.18	159,987	8,483	168,470	21.25	5.30%	
4	> 6,440 to ≤ 64,400 Therms Annually	18,622		41.60	774,675	119,181	893,856	48.00	15.39%	
5	Commodity Charge:									
6	Priority 1 - Aggregation		751,741.4	2.7343	2,055,487	108,852	2,164,339	2.8791	5.30%	
7	All Other - Aggregation		<u>2,930,005.8</u>	2.7343	8,011,515	424,265	8,435,780	2.8791	5.30%	
8	Rider CC		3,681,747.2	0.0000	0	3,314	3,314	0.0009	0.00%	
9	Choice Administration Charge		3,681,747.2	0.0000	0	0	0	0.0000	0.00%	
10	Subtotal				11,001,664	664,095	11,665,759			
11	STAS				<u>6,821</u>	<u>(6,821)</u>	<u>0</u>		-100.00%	
12	Subtotal				11,008,485	657,274	11,665,759			
13	Flex		35,078.5		51,134	0	51,134		0.00%	
14	Priority 1 Gas Cost	120	751,741.4	1.0676	<u>802,559</u>	<u>0</u>	<u>802,559</u>	1.0676	0.00%	
15	Total Rate Schedule SGDS	26,670	3,716,825.7		11,862,178	657,274	12,519,452		5.54%	
16 Rate Schedule SDS - Small Distribution Service										
17	Customer Charge:									
18	> 64,400 to ≤ 110,000 Therms Annually	2,044		150.00	306,600	40,880	347,480	170.00	13.33%	
19	> 110,000 to ≤ 540,000 Therms Annually	2,573		550.00	1,415,150	231,570	1,646,720	640.00	16.36%	
20	Commodity Charge:									
21	Deliveries		6,287,683.0	1.5292	9,615,125	909,199	10,524,324	1.6738	9.46%	
22	Choice Administration Charge		6,287,683.0	0.0000	0	0	0	0.0000	0.00%	
23	Subtotal				11,336,875	1,181,649	12,518,524			
24	STAS				<u>7,029</u>	<u>(7,029)</u>	<u>0</u>		-100.00%	
25	Flexed Deliveries	<u>96</u>	<u>176,024.1</u>		<u>187,881</u>	<u>0</u>	<u>187,881</u>			
26	Total Rate Schedule SDS	4,713	6,463,707.1		11,531,785	1,174,620	12,706,405		10.19%	

Columbia Gas of Pennsylvania, Inc.
Revenue @ Proposed Rates Based on Forecast Adjusted Bills and Volumes
 For the 12 Months Ended December 31, 2015

Exhibit No. 103
 Schedule No. 8
 Page 6 of 8
 Witness: M.J. Bell

Line No.	Description	Bills (1)	Volumes (2)	Base Rate (3)	Current Revenue (4)	Revenue Increase (5)	Proposed Revenue (6)	Proposed Rates (7)	Percent Increase (8)	
		(1)	Dth	\$/Dth	\$	\$	\$	\$	%	
1 Rate Schedule LDS - Large Distribution Service										
2 Customer Charge:										
3	> 540,000 to <= 1,074,000 Therms Annually	541		1,276.99	690,852	12,448	703,300	1,300.00	1.80%	
4	> 1,074,000 to <= 3,400,000 Therms Annually	301		2,279.23	686,048	6,252	692,300	2,300.00	0.91%	
5	> 3,400,000 to <= 7,500,000 Therms Annually	48		4,710.41	226,100	4,300	230,400	4,800.00	1.90%	
6	> 7,500,000 Therms Annually	12		7,322.00	87,864	936	88,800	7,400.00	1.07%	
7	Total				1,690,864	23,936	1,714,800			
8 Commodity Charge:										
9	> 540,000 to <= 1,074,000 Therms Annually		3,277,467.2	0.9610	3,149,646	573,229	3,722,875	1.1359	18.20%	
10	> 1,074,000 to <= 3,400,000 Therms Annually		4,276,000.0	0.8445	3,611,082	657,221	4,268,303	0.9982	18.20%	
11	> 3,400,000 to <= 7,500,000 Therms Annually		1,685,000.0	0.6990	1,177,815	214,501	1,392,316	0.8263	18.21%	
12	> 7,500,000 Therms Annually		500,000.0	0.4061	203,050	36,950	240,000	0.4800	18.20%	
13	Total Deliveries		9,738,467.2		8,141,593	1,481,901	9,623,494			
14	Choice Administration Charge			0.0000	0	0	0	0.0000	0.00%	
15	Subtotal				9,832,457	1,505,837	11,338,294			
16	STAS				6,096	(6,096)	0		-100.00%	
17	Flexed Deliveries	228	8,844,000.0		3,620,999	0	3,620,999		0.00%	
18	Total Rate Schedule LDS	1,130	18,582,467.2		13,459,552	1,499,741	14,959,293		11.14%	
19 Rate Schedule MLDS - Main Line Distribution Service - Class I										
20 Customer Charge:										
21	> 274,000 to <= 540,000 Therms Annually	0		469.34	0	0	0	469.34	0.00%	
22	> 540,000 to <= 1,074,000 Therms Annually	36		1,149.00	41,364	0	41,364	1,149.00	0.00%	
23	> 1,074,000 to <= 3,400,000 Therms Annually	0		2,050.00	0	0	0	2,050.00	0.00%	
24	> 3,400,000 to <= 7,500,000 Therms Annually	0		4,096.00	0	0	0	4,096.00	0.00%	
25	> 7,500,000 Therms Annually	0		7,322.00	0	0	0	7,322.00	0.00%	
26	Commodity Charge:									
27	All Gas Consumed		216,000.0	0.0935	20,196	22	20,218	0.0936	0.11%	
28	Choice Administration Charge		216,000.0	0.0000	0	0	0	0.0000	0.00%	
29	Subtotal				61,560	22	61,582			
30	STAS				38	(38)	0		-100.00%	
31	Flexed	12	2,900,000.0		359,014	0	359,014		0.00%	
32	Total Rate Schedule MLDS - Class I	48	3,116,000.0		420,612	(16)	420,596		0.00%	

Columbia Gas of Pennsylvania, Inc.
 Revenue @ Proposed Rates Based on Forecast Adjusted Bills and Volumes
 For the 12 Months Ended December 31, 2015

Line No.	Description	Bills (1)	Volumes (2) Dth	Base Rate (3) \$/Dth	Current Revenue (4) \$	Revenue Increase (5) \$	Proposed Revenue (6) \$	Revenue Increase (7) \$	Percent Increase (8) %
1	<u>Rate Schedule MLDS - Main Line Distribution Service - Class II</u>								
2	Customer Charge:								
3	> 2,146,000 to ≤ 3,400,000 Therms Annually	12		2,050.00	24,600	0	24,600	2,050.00	0.00%
4	> 3,400,000 to ≤ 7,500,000 Therms Annually	0		4,096.00	0	0	0	4,096.00	0.00%
5	> 7,500,000 Therms Annually	0		7,322.00	0	0	0	7,322.00	0.00%
6	Commodity Charge:								
7	> 540,000 to ≤ 1,074,000 Therms Annually		0.0	0.5264	0	0	0	0.5268	0.00%
8	> 2,146,000 to ≤ 3,400,000 Therms Annually		290,000.0	0.4471	129,659	87	129,746	0.4474	0.07%
9	> 3,400,000 to ≤ 7,500,000 Therms Annually		0.0	0.3866	0	0	0	0.3869	0.00%
10	> 7,500,000 Therms Annually		0.0	0.3349	0	0	0	0.3351	0.00%
11	Total Deliveries		290,000.0		129,659	87	129,746		
12	Choice Administration Charge		290,000.0	0.0000	0	0	0	0.0000	0.00%
13	Subtotal				154,259	87	154,346		
14	STAS				96	(96)	0		
15	Flex	60	2,310,000.0		886,254	0	886,254		-100.00%
16	Total Rate Schedule MLDS - Class II	72	2,600,000.0		1,040,609	(9)	1,040,600		0.00%

Columbia Gas of Pennsylvania, Inc.
 Revenue @ Proposed Rates Based on Forecast Adjusted Bills and Volumes
 For the 12 Months Ended December 31, 2015

Line No.	Description	Bills (1)	Volumes (2) Dth	Base Rate (3) \$/Dth	Current Revenue (4) \$	Revenue Increase (5) \$	Proposed Revenue (6) \$	Revenue Increase (7) \$	Percent Increase (8) %
1 Distribution Service Summary by Rate Class									
2	Base Rate Revenue				59,400,532	5,762,319	65,162,851		9.70%
3	STAS				39,898	(39,898)	0		-100.00%
4	Rider USP				4,950,691	454,770	5,405,461		9.19%
5	Rider CC				0	7,283	7,283		0.00%
6	Choice Administration Charge				0	0	0		0.00%
7	Gas Cost				8,451,772	0	8,451,772		0.00%
8	Total Residential Distribution Service	1,336,571	10,569,999.8		72,842,893	6,184,474	79,027,367		8.49%
9									
9	Base Rate Revenue				30,700,570	2,730,020	33,430,590		8.89%
10	STAS				18,886	(18,886)	0		-100.00%
11	Rider CC				0	5,239	5,239		0.00%
12	Choice Administration Charge				0	0	0		0.00%
13	Gas Cost				2,512,919	0	2,512,919		0.00%
14	Total Small Distribution Service (SCD, SGDS, SDS)	131,870	12,319,552.4		33,232,375	2,716,373	35,948,748		8.17%
15									
15	Base Rate Revenue				13,453,456	1,505,837	14,959,293		11.19%
16	Choice Administration Charge				0	0	0		0.00%
17	STAS				6,096	(6,096)	0		-100.00%
18	Total Large Distribution Service	1,130	18,582,467.2		13,459,552	1,499,741	14,959,293		11.14%
19									
19	Base Rate Revenue				1,461,087	109	1,461,196		0.01%
20	Choice Administration Charge				0	0	0		0.00%
21	STAS				134	(134)	0		-100.00%
22	Total Main Line Distribution Service	120	5,716,000.0		1,461,221	(25)	1,461,196		0.00%
23	Total Distribution Service	1,469,691	47,188,019.4		120,996,041	10,400,563	131,396,604		8.60%
24	Total Company Throughput	5,126,929	80,000,000.0		491,159,868	32,496,873	523,656,741		6.62%
25	Other Operating Revenue								
26	487 - Forfeited Discounts				1,190,599	0	1,190,599		0.00%
27	488 - Miscellaneous Service Revenues				168,432	0	168,432		0.00%
28	493 - Rent from Gas Property				153,185	0	153,185		0.00%
29	495 - Prior Yr. Rate Refund - Net.				0	0	0		0.00%
30	495 - Off System Sales				0	0	0		0.00%
31	495 - Other Gas Revenues - Other				228,993	0	228,993		0.00%
32	496 - Provision For Rate Refunds				0	0	0		0.00%
33	Total Other Operating Revenue				1,741,209	0	1,741,209		0.00%
34	Total Company Revenue				492,901,077	32,496,873	525,397,950		6.59%

1/Re-price of USP does not include the additional \$250,000 for LIURP. This would be included as part of the USP calculation in the January 1 Rider USP Filing.

Appendix C

COLUMBIA GAS OF PENNSYLVANIA, INC.

121 Champion Way, Suite 100

Canonsburg, Pennsylvania

RATES AND RULES

FOR

FURNISHING GAS AND DISTRIBUTION SERVICE

IN

THE TERRITORY AS DESCRIBED HEREIN

ISSUED:

EFFECTIVE:

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

NOTICE

This Tariff Supplement Makes Rate Increases and Changes to the Existing Tariff - See 'List of Changes' on
Page Nos. 2 through 2g.

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
Cover	Tariff Cover Page	Supplement No., Issue and Effective Date. Added "AND DISTRIBUTION" to title. Revised the "NOTICE".
2 - 2g	List of Changes	List of Changes.
3	Table of Contents	Pages 81 through 85 are now "Held for Future Use". Rate Schedules RDGSS and RDGDS are deleted.
4	Table of Contents	"GDS – Generation Distribution Service" changed to "EGDS – Electric Generation Distribution Service". "PS – Propane Service" is removed. Corrected title of 2.3 – was "Initial Gas Application". Now "Initial NGS Application".
6	Table of Contents	Format edits.
7	Description of Territory	Footnotes are revised.
8	Description of Territory	Footnotes are revised. Revised Greene County description.
10	Description of Territory	Footnote is revised.
11 – 14	Rates Available under this Tariff	Reordered the Rate Schedule descriptions by Residential and Non-Residential. Eliminated "Rate PS – Propane Service", "Rate RDGDS – Residential Distributed Generation Distribution Service", and "Rate RDGSS – Residential Distributed Generation Distribution Sales Service". Changed title of "Rate GDS – Generation Distribution Service" to "Rate EGDS – Electric Generation Distribution Service".
16	Residential Rate Summary	This page now contains all residential rate schedules. The Customer Charge and the Distribution Charge have increased. The Pass-through Charge is affected by the increase to Rider CC. The Gas Supply Charge is affected by the decrease to Rider MFC and the increase to Rider GPC. The STAS has decreased. Footnotes are revised.

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
17	Small Commercial & Industrial Rate Summary	<p>This page now contains non-negotiated rate schedules for non-residential accounts using less than or equal to 64,400 therms per year.</p> <p>The Customer Charge and the Distribution Charge have increased.</p> <p>The Gas Supply Charge is affected by the decrease to Rider MFC and the increase to Rider GPC.</p> <p>The Pass-through Charge is affected by the increase to Rider CC.</p> <p>The STAS has decreased.</p> <p>Footnotes are revised.</p>
18	Large Commercial & Industrial Rate Summary	<p>This page now contains non-negotiated rate schedules for non-residential accounts using more than 64,400 therms per year.</p> <p>The Customer Charges have increased.</p> <p>The first tier of the Distribution Charge has increased for LGSS.</p> <p>The Gas Supply Charge is affected by the increase to Rider GPC.</p> <p>The STAS has decreased.</p> <p>Footnotes are revised.</p>
19	Main Line Service Rate Summary	<p>This page now contains non-negotiated rate schedules for non-residential main line service accounts using more than 274,000 therms per year.</p> <p>The Distribution Charges have increased.</p> <p>The Gas Supply Charge is affected by the increase to Rider GPC.</p> <p>The STAS has decreased.</p> <p>Footnotes are revised.</p>
20	Other Rates Summary	<p>Rate Schedules RDGSS and RDGDS are removed.</p> <p>This page now contains the Pipeline Refunds, the Price to Compare, the State Tax Adjustment Surcharge and the Standby Service Charge.</p> <p>The Price-to-Compare is affected by the decrease to Rider MFC and the increase to Rider GPC.</p> <p>The STAS has decreased.</p>
21	Rider Summary	<p>This page now contains all the Riders contained in the tariff.</p> <p>Rider CC has increased.</p> <p>Rider GPC has increased.</p> <p>Rider MFC rate has changed.</p>
21a	Gas Supply Charge Summary	<p>Rate Schedules RDGSS and PS are removed.</p> <p>Rider GPC has increased and the Rider MFC rate has changed.</p>

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
21b	Pass-through Charge Summary	Rate Schedules RDGSS, PS, and RDGDS are removed. Rate SS is moved to page 20. Rider CC has increased.
21c	Price-to-Compare Summary	Rate Schedule PS is removed. The Rider GPC has increased. The Rider MFC rate has changed.
22	The Gas Tariff	The definition of "Applicant" is revised.
23	The Gas Tariff	A definition of "Billing Cycle" is added. Rate Schedule RDGDS is removed from the "Choice" definition. Definitions are renumbered.
24	The Gas Tariff	The definition of "Customer" is revised. Added a portion of the "Commercial Customer" definition from page 23. The definitions are renumbered.
25	The Gas Tariff	Definitions for "FERC", "FTS", "Gas", and "Human Needs" are added. The definition of "Nonbasic Service" is removed. Added the "Distribution Charge" definition from page 24. The definitions are renumbered.
26	The Gas Tariff	Definitions for "Local Market Area", and "Month" are added. Definitions of "Industrial Customer", "Mcf" and "Pass-through Charge" are moved from page 25. The definitions are renumbered.
27	The Gas Tariff	The definition of "Residential Customer" is moved from page 26 and revised. The definition of "Price to Compare" and "Sales Service" are moved from page 26. The definitions are renumbered.
28	The Gas Tariff	Definitions of "Supplier of Last Resort", "Therm", "Therm Multiplier", and "Transmission Pipeline" are moved from page 27. The definitions are renumbered.
30	2. Service Limitations	2.3.1 B "Emergency" definition is revised.
31	2. Service Limitations	2.3.1 E "Firm Service" definition is revised. 2.3.2 is now the label for the new "Demonstration of Firm Pipeline Capacity" paragraph.
32	2. Service Limitations	"Emergency Action Curtailments" is renumbered from 2.3.2 to 2.3.3 and moved from page 31. Changed "billing month" to "billing cycle" in paragraph 2.3.3 C.

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
33 – 33a	2. Service Limitations	"Priority-Based Curtailments" renumbered from 2.33 to 2.34 and moved from page 32 and 33 to page 33 and 33a. Changed "GDS" to "EGDS" in "Order of Curtailment" table.
34	2. Service Limitations	"Penalty Provisions" renumbered from 2.3.4 to 2.3.5. Changed "billing month" to "billing cycle" in paragraph 2.3.5 A. Added paragraph 2.3.4 C from page 35 and changed "billing month" to "billing cycle".
35	2. Service Limitations	Moved "Disposition of Penalties" subparagraph to page 34..
50	8. Extensions	Revised paragraph 8.6 Special Facilities.
53	11. Company Equipment on Customer's Premises	Changed "month" to "billing cycle".
55	13. Service Continuity	Changed "billing month" to "billing cycle".
56	14. Customer's Use of Service	Corrected spelling of "causal".
57	15. Measurement	Revised 15.3 Meter Reading. Revised 15.4 Automated Meter Reading.
58	15. Measurement	Revised 15.5 Estimated Usage.
58a	15. Measurement	Added "15.7 Measuring Equipment" from page 58.
61	17. Payment Terms	Changed "month" to "billing cycle".
68	20. Flexible Rate Provisions	Removed Rate Schedules PS, RDGSS, and RDGSS. Added the "Customer Choice Rider". Changed "billing month" to "billing cycle".
76	Rate RSS	Revised the "Rate" paragraph.
77	Rate RSS	Changed "month" to "billing cycle".
78	Rate RDS	Revised the "Rate" paragraph.
79	Rate RDS	Changed "month" to "billing cycle".
81-83	Rate RDGSS	Deleted Rate Schedule RDGSS. Page "Left Blank for Future Use".
84-85	Rate RDGDS	Deleted Rate Schedule RDGDS. Page "Left Blank for Future Use".
86	Rate SGSS	Changed "most recent twelve month" to "twelve most recent billing cycle periods".

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
87-88	Rate SGSS	Changed "month" to "billing cycle".
90	Rate SGDS	Changed "most recent twelve month" to "twelve most recent billing cycle periods".
91 - 92	Rate SGDS	Changed "month" to "billing cycle".
94	Rate SCD	Changed "month" to "billing cycle".
96	Rate SDS	Changed "month" to "cycle".
97	Rate SDS	Changed "most recent twelve month" to "twelve most recent billing cycle periods".
98	Rate SDS	Changed "month" to "billing cycle".
100	Rate LGSS	Changed "most recent twelve month" to "twelve most recent billing cycles".
101	Rate LGSS	Changed "month" to "billing cycle".
102	Rate LGSS	Changed "November 1" to "November billing cycle". Changed "October 31" to "October billing cycle".
103	Rate LDS	Changed "month" to "cycle".
104	Rate LDS	Changed "most recent twelve month" to "twelve most recent billing cycles".
106	Rate LDS	Changed "month" to "billing cycle".
108	Rate MLSS	Changed "most recent twelve month" to "twelve most recent billing cycle periods".
109	Rate MLSS	Changed "month" to "billing cycle".
111	Rate MLDS	Changed "month" to "cycle".
112	Rate MLDS	Changed "most recent twelve month" to "twelve most recent billing cycle periods".
113	Rate MLDS	Changed "month" to "billing cycle".
115	Rate NCS	Changed "month" to "cycle".
116	Rate NCS	Changed "month" to "billing cycle".

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
119	Rate NSS	Changed "month" to "cycle".
120	Rate NSS	Changed "month" to "cycle".
121	Rate NSS	Changed "month" to "billing cycle".
122	Rate SDSS	Changed "GDS – Generation Distribution Service" to "Electric Generation Distribution Service".
123	Rate SDSS	Changed "month" to "billing cycle".
125	Rate CDS	Changed "month" to "cycle".
126	Rate CDS	Changed "month" to "billing cycle".
127	Rate EDGS	Changed "GDS – Generation Distribution Service" to "Electric Generation Distribution Service". Changed "month" to "cycle".
128	Rate EDGS	Changed "month" to "billing cycle".
130	Rate NGV	Changed "month" to "billing cycle".
132-133	Rate PS	Removed Rate PS – Propane Service.
135	Rate SS	Changed "month" to "cycle".
137	Rate DGDS	Changed "month" to "cycle".
138	Rate DGDS	Changed "month" to "billing cycle".
146	Rider USP	Removed "RDGDS and RDGSS".
148	Rider CC	Removed "RDGSS, RDGDS, and PS". Changed "month" to "cycle".
151	Rider PGC	Removed "Rate RDGSS" and "RDGDS".
152	Rider PGC	Removed "Rate RDGSS" and Rate "PRDGSS". Changed "consecutive twelve month periods" to twelve consecutive billing cycles".
153	Rider PGC	Removed "Rate RDGSS" and "Rate RDGDS". Changed "consecutive twelve month periods" to twelve consecutive billing cycles".
154	Rider PGC	Removed "Rate RDGSS" and "Rate RDGDS". Removed "Rate PS".

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
155	Rider PGC	Removed "Rate PS". Removed "Rate RDGSS" and "Rate RDGDS".
156	Rider PGC	Removed "Rate RDGSS" and "Rate RDGDS".
160	Rider GPC	Removed "RDGSS" and "PS". Revised GPC rate.
161	Rider MFC	Removed "RDGSS". Revised MFC percentages.
162	Rider WNA	Removed "RDGSS" and "RDGDS".
165	STAS	Changed STAS percentage to 0.000. Changed "GDS" to "EGDS".
181	RADS	Revised the definition of "Billing Cycle".
183	RADS	Revised the definition of "Gas".
189	RADS	Revised subparagraph 2.6.1 Firm Service.
192	RADS	Changed "month" to "billing cycle" in subparagraph 2.10.1. Revised subparagraph 2.12.2.
193	RADS	Changed "month" to "billing cycle" in 2.13 Retroactive Period Adjustments".
202	RADS	Changed "backup service" to "Standby Service" in subparagraph 3.3.2.
203	RADS	Changed "month" to "cycle" in subparagraph 3.3.3 and 3.4.1.
205	RADS	Changed "month" to "cycle" in subparagraph 3.6.4.
208	RADS	Deleted "Twenty-five dollars" from subparagraph 3.8.5 (1). Changed "month" to "cycle" in subparagraph 3.11.1.
210	RADS	Changed "month" to "cycle" in subparagraph 3.12.1. Removed subparagraph 3.12.3 referring to EBS Option 3. Renumbered subparagraphs.
211	RADS	Changed "month" to "cycle" in subparagraph 3.13.1. Revised subparagraph 3.14.1 to be more usage specific.

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
213	RADS	Revised subparagraphs 3.15.2.2, 3.15.2.3, and 3.15.2.4.
225	RADS	Removed "Rate RDGDS – Residential Distribution Generation Distribution Service".
227-227a	RADS	Removed subparagraph 4.5.2. Revised Rule "4.5 Customer Information" to reflect changes in the Eligible Customer List. Added tariff page 227a and renumbered subparagraphs.
233	RADS	Renumbered subparagraphs. Added paragraph 4.7.4 (new number 4.7.5) from page 234.
234	RADS	Moved paragraph 4.7.4 to page 233.

Columbia Gas of Pennsylvania, Inc.

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DESCRIPTION OF TERRITORY

ADAMS COUNTY

Abbottstown
 Arendtsville
 Aspers
 Bendersville
 Berwick Township
 Biglerville
 Butler Township
 Caledonia
 Cashtown
 Conewago Township*
 Cumberland Township
 East Berlin
 Fairfield
 Fayetteville
 Franklin Township
 Freedom Township
 Germany Township
 Gettysburg
 Hamilton Township
 Hamiltonban Township
 Hemptom
 Littlestown
 McSherrystown*
 Menallen Township
 Mt. Joy Township
 Mt. Pleasant Township
 New Oxford
 Oxford Township
 Reading Township
 Strabane Township
 Table Rock
 Two Taverns
 Tyrone Township
 Union Township

ALLEGHENY COUNTY

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

ARMSTRONG COUNTY

Distant
 Hovey Township
 Madison Township
 Mahoning Township
 McWilliams
 New Salem
 Oakland
 Oak Ridge
 Parker City
 Perry Township
 Red Bank Township
 South Bethlehem

BEAVER COUNTY

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

BEDFORD COUNTY

Cumberland Valley Township
 Londonderry Township
 Mann Township
 Southampton Township
 State Line

BUTLER COUNTY

Adams Township
 Allegheny Township
 Annandale
 Annisville
 Brady Township
 Bruin
 Center Township
 Cherry Township
 Clay Township
 Concord Township
 Cranberry Township

**BUTLER COUNTY
 (Continued)**

Criders Corners
 Deegan
 Eau Claire
 Fairview
 Fairview Township
 Fallowfield Township
 Forestville
 Franklin Township
 Harrisville
 Karns City **
 Marion Township
 Mercer Township
 Muddy Creek Township
 North Washington
 Parker Township
 Slippery Rock Township
 Valencia
 Valencia Township
 Washington Township
 West Liberty
 Wick
 Worth Township

CENTRE COUNTY ***

Bellefonte
 Benner Township
 Boggs Township
 Burnside Township
 College Township
 Ferguson Township
 Harris Township
 Patton Township
 Potter Township
 Snow Shoe Township
 Spring Township
 State College
 Union Township

* Territory formerly served under Tariff Gas-Pa. P.U.C. No. 7.

** Limited to industrial service to Permanent Service Identification (PSID) 400473084.

*** Territory formerly served under Tariff Gas-Pa. P.U.C. No. 6.

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DESCRIPTION OF TERRITORY (Continued)

CHESTER COUNTY	CLEARFIELD COUNTY	GREENE COUNTY	
Coatesville*	Burnside Township	The Company is certified to serve in all cities, boroughs and townships in Greene County.	(C)
	Jordon Township**		
	Union Township		
CLARION COUNTY			
Ashland Township	ELK COUNTY		
Beaver Township	Highland Township	INDIANA COUNTY	
Callensburg	Nansen	Center Township***	
Climax	Russell city	Cherryhill Township	
Dutch Hill		Clymer	
Elk City	FAYETTE COUNTY	White Township***	
Elk Township	The Company is certified to serve in all cities, boroughs and townships in Fayette County.	JEFFERSON COUNTY	
Fairmont City			Beaver Township
Foxburg			Clover Township
Hawthorne	FRANKLIN COUNTY	Heath Township	
Huey	Antrim Township	Iowa	
Knox	Caledonia	Knox Township	
Lamartine	Greencastle	Pine Creek Township	
Lawsonham	Greene Township	Polk Township	
Leatherwood	Guilford Township	Ringgold Township	
Licking Township	Mercersburg	Rose Township	
Madison Township	Mont Alto	Summerville	
Mayport	Montgomery Township	Union Township	
Monroe	Nunnery	Warsaw Township	
New Bethlehem	Peters Township	Winslow Township	
Perry township	Quincy		
Perryville	Quincy Township		
Porter Township	Shady Grove		
Red Bank Township	Washington Township		
Richland Township	Waynesboro		
Rimersburg	FULTON COUNTY		
Salem	Bethel Township		
Salem Township	Thompson Township		
Shippenville	Union Township		
St. Petersburg			
Toby Township			
Turkey City			
Turnip Hole			
Wentlings			
West Freedom			
West Monterey			

* Limited to industrial service to Permanent Service Identification (PSID) 400495160. (C)
 ** Limited to industrial service to Permanent Service Identification (PSID) 500254711 and 500254712. (C)
 *** Limited to service to customers located within the industrial park owned by Indiana County Industrial Development Authority and Indiana County Development Corporation.

(C) Indicates Change

DESCRIPTION OF TERRITORY (Continued)

YORK COUNTY *

Carroll Township
Codorus Township**
Conewago Township
Dallastown
Dillsburg
Dover
Dover Township
East Hopewell Township
East Manchester Township
East Prospect
Fawn Township
Glen Rock
Hallam
Hallam Township
Hanover
Hopewell Township
Jackson Township
Jacobus
Jefferson
Loganville
Lower Chancefore Township
Lower Windsor Township
Manchester
Manchester Township
Manheim Township
Mount Wolf
Newberry Township
New Freedom
North Codorus Township
North York
Paradise Township
Penn Township
Railroad
Red Lion
Seven Valleys
Shrewsburg
Shrewsburg Township
Springettsbury Township
Springfield Township
Spring Garden Township
Spring Grove
Stewartstown

YORK COUNTY
(Continued)

Warrington Township
Washington Township
Wellsville
West Manchester Township
West Manheim Township
West York
Windsor
Windsor Township
Wrightsville
Yoe
York
Yorkana
York Haven
York New Salem
York Township

* Territory formerly served under Tariff Gas – Pa. P.U.C. No. 7 with the exception of Codorus and Manheim Townships and portions of East Manchester, Hallam, Manchester and Penn Townships.
** Limited to industrial service to Permanent Service Identification (PSID) 400472432.

(C) Indicates Change

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RATES AVAILABLE UNDER THIS TARIFF

RATES AVAILABLE FOR RESIDENTIAL ACCOUNTS

Rate RDS - Residential Distribution Service (pp. 78-80)

Available for a Residential customer or a group of Residential customers that has an aggregate annual demand of at least 53,650 thm or a minimum of 50 customers being served pursuant to the aggregation provisions of the Rules Applicable to Distribution Service.

A Residential customer under this rate schedule may use gas supply for distributed generation equipment such as reciprocating engines, gas turbines, and fuel cells used for electrical power generation for the customer's own use provided, that the Company's facilities are adequate to provide the requested service.

Rate RSS - Residential Sales Service (pp. 76-77)

This rate schedule is available, at one location, for the total requirements of any residential customer.

A Residential customer under this rate schedule may use gas supply for distributed generation equipment such as reciprocating engines, gas turbines, and fuel cells used for electrical power generation for the customer's own use provided, that the Company's facilities are adequate to provide the requested service.

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RATES AVAILABLE UNDER THIS TARIFF - continued

RATES AVAILABLE FOR NON-RESIDENTIAL ACCOUNTS

Rate CDS - Cogeneration Distribution Service (pp. 125-126)

Available to any customer who qualifies as a cogenerator under Section 210 of the Public Utility Regulatory Policies Act of 1978 (PURPA). Customer must demonstrate to the Company's satisfaction that qualifying cogeneration gas burning equipment will be installed and only gas used for cogeneration will be billed at the rate negotiated under this rate schedule. Service is available when such customer acquires its own gas and executes a contract with the Company for distribution service in accordance with all terms and conditions of such contract. Separate metering and piping to qualifying end use equipment will be required.

Service under this rate schedule shall not be available to a customer who is a Priority 1 Customer, as defined in the Service Limitations section of this tariff and is using gas to generate electricity for Essential Human Needs Use, as defined in the Service Limitations section of this tariff, shall be required to purchase Standby Service if an alternate fuel is not available to generate electricity to cover the electricity peak day requirement.

Rate DGDS - Distributed Generation Distribution Service (pp. 137-138)

Available, at one location, for the distribution requirements of any commercial or industrial customer using distributed generation equipment such as reciprocating engines, gas turbines, microturbines, and fuel cells used for electrical power generation. Service is available when such customer executes a contract with the Company for a period mutually agreed to between the Company and the customer for distribution service in accordance with all terms and conditions of such contract. Provided that the Company's facilities are adequate to provide the requested service. Customer may not take service under any other rate schedule except Rate SS – Standby Service.

Rate EGDS – Electric Generation Distribution Service (pp. 127-128)

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Available to any customer who uses gas to generate electricity for sale, either wholesale or retail; provided that such sale of electricity is subject to the regulatory jurisdiction of either the Pennsylvania Public Utility Commission or the Federal Energy Regulatory Commission. Service is available when such customer acquires its own gas and executes a contract with the Company for distribution service in accordance with all terms and conditions of such contract.

Rate LDS - Large Distribution Service (pp. 103-106)

Available to any commercial or industrial customer whose annual throughput requirement (determined under the Customer Charge provisions of Rate LDS) is in excess of 540,000 thm, and who does not take service under any other rate schedule except Rate SS-Standby Service.

Rate LGSS - Large General Sales Service (pp. 100-102)

This rate schedule is available, at one location, for the total requirements of any commercial or industrial customer whose purchase requirements are in excess of 64,400 thm, and who does not contract for distribution service.

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President

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RATES AVAILABLE UNDER THIS TARIFF - continued

RATES AVAILABLE FOR NON-RESIDENTIAL ACCOUNTS (continued)

Rate MLDS - Main Line Distribution Service (pp. 111-114)

Available at one location, for the total requirements of a commercial or industrial customer when the Customer meets either one of the following qualifications:

- (a) the Customer has annual throughput requirements in excess of 274,000 thm and is connected directly through a dual-purpose meter to facilities of an Interstate pipeline supplier of the Company ("Class I MLS Customer"); or
- (b) the Customer has annual throughput requirements of not less than 2,146,000 thm and there are two (2) miles or less of pipeline facilities of the Company connecting the Customer to facilities of an interstate pipeline supplier of the Company ("Class II MLS Customer"), and meets all of the following conditions:
 - 1) Customer does not take service under any other rate schedule except Rate SS – Standby Service, and
 - 2) Customer acquires its own gas and executes an application and agreement with the Company as specified in the Rules Applicable to Distribution Service section of this Tariff, for a period of not less than one (1) year for distribution service in accordance with all terms and conditions of such contract.

Rate MLSS - Main Line Sales Service (pp. 107-110)

Available at one location, for the total requirements of a commercial or industrial customer when the Customer meets either one of the following qualifications:

- (a) the Customer has annual throughput requirements in excess of 274,000 thm and is connected directly through a dual-purpose meter to facilities of an Interstate pipeline supplier of the Company ("Class I MLSS Customer"); or
- (b) the Customer has annual throughput requirements of not less than 2,146,000 thm and there are two (2) miles or less of pipeline facilities of the Company connecting the Customer to facilities of an interstate pipeline supplier of the Company ("Class II MLSS Customer").

Rate NCS - Negotiated Contract Service (pp. 115-116)

Available to any commercial or industrial customer, at the Company's discretion, who meets the following qualifications:

- (a) The customer is not presently served by the Company and has projected throughput requirements of not less than 21,460 thm annually or is a current customer; and
- (b) The customer gives the Company satisfactory proof that, absent service under this rate schedule, the customer's facilities or operations would not be constructed in the Company's operating territory, or that, absent service under this rate schedule, customer would install long-term alternate fuel facilities.

Customer does not take service under any other rate schedule except Rate SS – Standby Service.

RATES AVAILABLE UNDER THIS TARIFF - continued

RATES AVAILABLE FOR NON-RESIDENTIAL ACCOUNTS (continued)

Rate NGV - Natural Gas Vehicle Service (pp. 129-131)

This rate schedule is available for any customer for the use of natural gas directly in a natural gas vehicle (NGV). The customer to qualify must be the operator of a public fueling station or the owner/operator of a natural gas vehicle or fleet of vehicles who receives service at separately metered fueling facilities owned by the vehicle owner/operator for the exclusive use of the customer's vehicle(s).

Rate NSS - Negotiated Sales Service (pp. 117-121)

Available to any commercial or industrial customer who would not initiate service from the Company or would no longer take service from the Company but for the availability of service under Rate NSS, and whose annual throughput requirements exceed 21,460 thm. A customer with annual throughput requirements less than 64,400 thm that is eligible for service under this rate schedule shall be deemed to meet the usage eligibility provisions for transportation service under Rate SGSS.

Rate SCD - Small Commercial Distribution (pp. 93-95)

This rate is available to any commercial customer that: (1) is eligible for Choice Service; (2) has a historic throughput less than or equal to 64,400 thm annually; (3) is not served under any other schedule, (4) the customer or group of customers have an aggregate annual demand of at least 53,650 thm or a minimum of 50 customers and in compliance with the aggregation provisions in the Rules Applicable to Distribution Service elects an NGS of natural gas commodity service for a one year period.

Rate SDS-Small Distribution Service (pp. 96-99)

Available to any commercial or industrial customer whose annual throughput requirements (including sales and distribution) exceed 64,400 thm, who does not receive service under any other rate schedule except Rate SS-Standby Service, and whose annual throughput (as determined under Customer Charge provisions of Rate SDS) is less than or equal to 540,000 thm.

Rate SDSS - Supplier Default Sales Service (pp. 122-123)

Available to any commercial or industrial customer with annual throughput requirements in excess of 6,440 thm or greater, and whose natural gas supplier has defaulted according to the provisions of the NGS Default section of the Rules Applicable to Distribution Service of this tariff, and who at the time of the default was receiving General Distribution Service under Rate SGDS-Small General Distribution Service, Rate SDS – Small Distribution Service, Rate LDS – Large Distribution Service, Rate MLDS – Main Line Distribution Service, Rate CDS – Cogeneration Distribution Service or Rate EGDS – Electric Generation Distribution Service. (C)

(C) Indicates Change

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President

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Columbia Gas of Pennsylvania, Inc.

Rate Summary

Rate per thm

Residential Rate Schedules	Distribution Charge	Gas Supply Charge 1/	Gas Cost Adjustment	Pass-Through Charge 2/	State Tax Adjustment Surcharge 3/	Total Effective Rate
<u>Rate RSS - Residential Sales Service</u>						
Customer Charge	\$ 16.75	-	-	-	0.00	16.75
Usage Charge	\$ 0.42138	0.45789	0.00252	0.16760	0.00000	1.04939
Customer Transferring from Rate Schedule RDS - Usage Charge	\$ 0.42138	0.45789	-	0.16760	0.00000	1.04687
<u>Rate RDS - Residential Distribution Service</u>						
Customer Charge	\$ 16.75	-	-	-	0.00	16.75
Usage Charge:						
Customers Electing CHOICE - 1st Year	\$ 0.42138	-	0.00252	0.14080	0.00000	0.56470
Customers Electing CHOICE - 2nd Year	\$ 0.42138	-	-	0.14080	0.00000	0.56218

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

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Columbia Gas of Pennsylvania, Inc.

		Rate Summary						
		Rate per thm						
	Commercial / Industrial Rate Schedules <= 64,400 therms - 12 Months Ending October	Distribution Charge	Gas Supply Charge	Gas Cost Adjustment	Pass-through Charge	State Tax Adjustment Surcharge	Total Effective Rate	
			1/		2/	3/		
<u>Rate SGSS - Small General Sales Service</u>								
Customer Charge:								
	Annual Throughput <= 6,440 thm	\$ 21.25	-	-	-	0.00	21.25	
	Annual Throughput > 6,440 thm and <= 64,400 thm	\$ 48.00	-	-	-	0.00	48.00	
	Usage Charge	\$ 0.31385	0.45323	0.00252	0.09777	0.00000	0.86737	
	Customers Transferring from Rate Schedule SCD - Usage Charge	\$ 0.31385	0.45323	-	0.09777	0.00000	0.86485	
<u>Rate SCD - Small Commercial Distribution</u>								
Customer Charge:								
	Annual Throughput <= 6,440 thm	\$ 21.25	-	-	-	0.00	21.25	
	Annual Throughput > 6,440 thm and <= 64,400 thm	\$ 48.00	-	-	-	0.00	48.00	
	Usage Charge:							
	Customers Electing CHOICE - 1st Year	\$ 0.31385	-	0.00252	0.07233	0.00000	0.38870	
	Customers Electing CHOICE - 2nd Year	\$ 0.31385	-	-	0.07233	0.00000	0.38618	
<u>Rate SGDS - Small General Distribution Service</u>								
Customer Charge:								
	Annual Throughput <= 6,440 thm	\$ 21.25	-	-	-	-	21.25	
	Annual Throughput > 6,440 thm and <= 64,400 thm	\$ 48.00	-	-	-	-	48.00	
	Usage Charge:							
	Priority One DS	\$ 0.28791	-	-	0.09913	0.00000	0.38704	
	Non-Priority One DS	\$ 0.28791	-	-	-	0.00000	0.28791	

1/ Please see Page 21a for rate components.
 2/ Please see Page 21b for rate components.
 3/ The STAS percentage is reflected on Page No. 20 and is applied to the Customer Charge and the Distribution Charge.
 4/ If a customer transfers to SGSS from SCD or SGDS, the Gas Cost Adjustment shall not be billed for twelve billing cycles.
 5/ If a customer transfers to SCD or SGDS from SGSS, the Gas Cost Adjustment shall be billed for twelve billing cycles.
 6/ Plus Rider EBS Option 1 or 2 - See Page 21.

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Rate Summary		Rate per thm					
Commercial / Industrial Rate Schedules > 64,400 therms - 12 Months Ending October	Distr Charge	Gas Supply Charge	Gas Cost Adjustment	Pass-through Charge	State Tax Adjustment Surcharge	Total Effective Rate	
	1/	2/	3/	4/	5/	6/	
Rate LGSS - Large General Sales Service							
Customer Charge:							
Annual Throughput > 64,400 thm and <= 110,000 thm	\$ 170.00				0.00	170.00	
Annual Throughput > 110,000 thm and <= 540,000 thm	\$ 640.00				0.00	640.00	
Annual Throughput > 540,000 thm and <= 1,074,000 thm	\$ 1,300.00				0.00	1,300.00	
Annual Throughput > 1,074,000 thm and <= 3,400,000 thm	\$ 2,300.00				0.00	2,300.00	
Annual Throughput > 3,400,000 thm and <= 7,500,000 thm	\$ 4,800.00				0.00	4,800.00	
Annual Throughput > 7,500,000 thm	\$ 7,400.00				0.00	7,400.00	
Usage Charge:							
First 11,000 thm per billing cycle	\$ 0.22209	0.45083	0.00252	0.09904	0.00000	0.77448	
Next 43,000 thm per billing cycle	\$ 0.18672	0.45083	0.00252	0.09904	0.00000	0.73911	
Next 54,000 thm per billing cycle	\$ 0.16663	0.45083	0.00252	0.09904	0.00000	0.71902	
All thm per billing cycle over 108,000	\$ 0.11416	0.45083	0.00252	0.09904	0.00000	0.66655	
Rate SDS - Small Distribution Service							
Customer Charge:							
Annual Throughput > 64,400 thm and <= 110,000 thm	\$ 170.00				0.00	170.00	
Annual Throughput > 110,000 thm and <= 540,000 thm	\$ 640.00				0.00	640.00	
Usage Charge	\$ 0.16738			5/	0.00000	0.16738	
Rate LDS - Large Distribution Service							
Customer Charge:							
Annual Throughput > 540,000 thm and <= 1,074,000 thm	\$ 1,300.00				0.00	1,300.00	
Annual Throughput > 1,074,000 thm and <= 3,400,000 thm	\$ 2,300.00				0.00	2,300.00	
Annual Throughput > 3,400,000 thm and <= 7,500,000 thm	\$ 4,800.00				0.00	4,800.00	
Annual Throughput > 7,500,000 thm	\$ 7,400.00				0.00	7,400.00	
Usage Charge:							
Annual Throughput > 540,000 thm and <= 1,074,000 thm	\$ 0.11359				0.00000	0.11359	
Annual Throughput > 1,074,000 thm and <= 3,400,000 thm	\$ 0.09982				0.00000	0.09982	
Annual Throughput > 3,400,000 thm and <= 7,500,000 thm	\$ 0.08263				0.00000	0.08263	
Annual Throughput > 7,500,000 thm	\$ 0.04800				0.00000	0.04800	

1/ Please see Page 21a for rate components.
 2/ Please see Page 21b for rate components.
 3/ The STAS percentage is reflected on Page No. 20 and is applied to the Customer Charge and the Distribution Charge.
 4/ If a customer transfers to LGSS from SDS or LDS, the Gas Cost Adjustment shall not be billed for twelve billing cycles.
 5/ If a customer transfers to SDS or LDS from LGSS, the Gas Cost Adjustment shall be billed for twelve billing cycles.
 6/ Plus Rider EBS Option 1 or 2 - See Page 21.

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Columbia Gas of Pennsylvania, Inc.

		Rate Summary						
		Rate per thm						
Main Line Service Rate Schedules Commercial / Industrial		Distribution Charge	Gas Supply Charge	Gas Cost Adjustment	Pass-through Charge	State Tax Adjustment Surcharge	Total Effective Rate	
		1/			2/	3/		
Rate MLSS - Main Line Sales Service								
Customer Charge:								
Annual Throughput > 274,000 thm and <= 540,000 thm	\$	469.34	-	-	-	0.00	469.34	
Annual Throughput > 540,000 thm and <= 1,074,000 thm	\$	1,149.00	-	-	-	0.00	1,149.00	
Annual Throughput > 1,074,000 thm and <= 3,400,000 thm	\$	2,050.00	-	-	-	0.00	2,050.00	
Annual Throughput > 3,400,000 thm and <= 7,500,000 thm	\$	4,096.00	-	-	-	0.00	4,096.00	
Annual Throughput > 7,500,000 thm	\$	7,322.00	-	-	-	0.00	7,322.00	
Usage Charge:								
MLS Class I Annual Throughput > 274,000 thm	\$	0.00936	0.45083	0.00252	4/	0.09904	0.56175	
MLS Class II:								
Annual Throughput > 2,146,000 thm and <= 3,400,000 thm	\$	0.04474	0.45083	0.00252	4/	0.09904	0.59713	
Annual Throughput > 3,400,000 thm and <= 7,500,000 thm	\$	0.03869	0.45083	0.00252	4/	0.09904	0.59108	
Annual Throughput > 7,500,000 thm	\$	0.03351	0.45083	0.00252	4/	0.09904	0.58590	
Rate MLDS - Main Line Distribution Service								
Customer Charge:								
Annual Throughput > 274,000 thm and <= 540,000 thm	\$	469.34	-	-	-	0.00	469.34	
Annual Throughput > 540,000 thm and <= 1,074,000 thm	\$	1,149.00	-	-	-	0.00	1,149.00	
Annual Throughput > 1,074,000 thm and <= 3,400,000 thm	\$	2,050.00	-	-	-	0.00	2,050.00	
Annual Throughput > 3,400,000 thm and <= 7,500,000 thm	\$	4,096.00	-	-	-	0.00	4,096.00	
Annual Throughput > 7,500,000 thm	\$	7,322.00	-	-	-	0.00	7,322.00	
Usage Charge:								
MLS Class I Annual Throughput > 274,000 thm	\$	0.00936	-	-	-	0.00000	0.00936	
MLS Class II:								
Annual Throughput > 2,146,000 thm and <= 3,400,000 thm	\$	0.04474	-	-	-	0.00000	0.04474	
Annual Throughput > 3,400,000 thm and <= 7,500,000 thm	\$	0.03869	-	-	-	0.00000	0.03869	
Annual Throughput > 7,500,000 thm	\$	0.03351	-	-	-	0.00000	0.03351	

1/ Please see Page 21a for rate components.
 2/ Please see Page 21b for rate components.
 3/ The STAS percentage is reflected on Page No. 20 and is applied to the Customer Charge and the Distribution Charge.
 4/ If a customer transfers to MLSS from MLDS, the Gas Cost Adjustment shall not be billed for twelve billing cycles.
 5/ If a customer transfers to MLDS from MLSS, the Gas Cost Adjustment shall be billed for twelve billing cycles.
 6/ Plus Rider EBS Option 1 or 2 - See Page 21.

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Columbia Gas of Pennsylvania, Inc.

Other Rates Summary			
Description	Rate \$ / thm	Rate per thm	Applicable Rate Schedules
Tennessee Gas Pipeline Company Refund	\$ (0.00136)		SGSS
TCO Modernization Refund- Settlement - Residential	\$ (0.00605)		RSS/RDS
TCO Modernization Refund-Settlement - Non-Residential	\$ (0.00772)		SGSS/SGDS/SCD/LGSS/MLSS
Price to Compare for Residential Gas Supply	\$ 0.48721		RSS
Price to Compare for Commercial Gas Supply	\$ 0.48255		SGSS (< = 64,400 thms)
State Tax Adjustment Surcharge Percentage	0.00000%		Customer and Distribution Charges on all rates
Rate SS - Standby Service	\$ 0.73737		Per thm based on a customer's Maximum Daily Firm Requirement. See Pages 134 - 136 herein for detail.

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Rider Summary			
Riders	Rate \$/thm	Rate \$/thm	Applicable Rate Schedules
Customer Choice - Rider CC	\$ 0.00009		RSS/RDS/SGSS/SGDS/SCD/DGDS
Universal Service Plan - Rider USP	\$ 0.06680		RSS/RDS
Distribution System Improvement Charge - Rider DSIC	0.000000%		This percentage is applied to a portion of the Distribution Charge and the Customer Charge. See Pages 177-180 for Rider DSIC details.
Elective Balancing Service - Rider EBS:			
Option 1 - Small Customer	\$ 0.02109		SGDS/SDS
Option 1 - Large Customer	\$ 0.00846		LDS/MLDS
Option 2 - Small Customer	\$ 0.00697		SGDS/SDS
Option 2 - Large Customer	\$ 0.00226		LDS/MLDS
Gas Procurement Charge - Rider GPC	\$ 0.00695		RSS/SGSS/LGSS/MLSS
Merchant Function Charge - Rider MFC	\$ 0.00706		RSS
Merchant Function Charge - Rider MFC	\$ 0.00240		SGSS
Purchased Gas Cost - Rider PGC		Pg. 21a & 21b	Rate Schedules specified on Page 21a & 21b

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Columbia Gas of Pennsylvania, Inc.

Gas Supply Charge Summary

Rate per thm

Rate Schedule	PGCC	Rider GPC	Rider MFC	Total Gas Supply Charge
Rate CAP - Customer Assistance Plan	\$ -	-	-	-
Rate RSS - Residential Sales Service	\$ 0.44388	0.00695	0.00706	0.45789
Rate SGSS - Small General Sales Service	\$ 0.44388	0.00695	0.00240	0.45323
Rate LGSS - Large General Sales Service	\$ 0.44388	0.00695	-	0.45083
Rate MLSS Main Line Sales Service	\$ 0.44388	0.00695	-	0.45083

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Columbia Gas of Pennsylvania, Inc.

Rate Schedule	Pass-through Charge Summary							Total Pass-through Charge
	PGDC	PGDC "E" Factor	Capacity Assignment Factor	Pipeline Refund	Rider CC	Rider USP	Rider USP	
	Rate per thm							
Rate CAP - Customer Assistance Plan	\$ 0.12460	(0.01784)	(0.02680)	(0.00605)	-	-	-	0.07391
Rate RSS - Residential Sales Service	\$ 0.12460	(0.01784)	-	(0.00605)	0.00009	0.06680	0.06680	0.16760
Rate SGSS - Small General Sales Service	\$ 0.12460	(0.01784)	-	(0.00908)	0.00009	-	-	0.09777
Rate LGSS - Large General Sales Service	\$ 0.12460	(0.01784)	-	(0.00772)	-	-	-	0.09904
Rate MLSS Main Line Sales Service	\$ 0.12460	(0.01784)	-	(0.00772)	-	-	-	0.09904
Rate RDS - Residential Distribution Service	\$ 0.12460	(0.01784)	(0.02680)	(0.00605)	0.00009	0.06680	0.06680	0.14080
Rate SCD - Small Commercial Distribution (Choice)	\$ 0.12460	(0.01784)	(0.02680)	(0.00772)	0.00009	-	-	0.07233
Rate SGDS - Small General Distribution Service	\$ 0.12460	(0.01784)	-	(0.00772)	0.00009	-	-	0.09913
Priority One (P1)	-	-	-	-	-	-	-	-
Non-Priority One (NP1)	-	-	-	-	-	-	-	-
Rate SDS - Small Distribution Service	\$ -	-	-	-	-	-	-	-
Rate LDS - Large Distribution Service	\$ -	-	-	-	-	-	-	-
Rate MLDS - Main Line Distribution Service	\$ -	-	-	-	-	-	-	-

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Columbia Gas of Pennsylvania, Inc.

Price-to-Compare (PTC) Summary		Rate per thm				
Customer Class	PGCC	Gas Cost Adjustment	Capacity Assignment Factor	Rider GPC	Rider MFC	Total Price-to- Compare
Residential	\$ 0.44388	0.00252	0.02680	0.00695	0.00706	0.48721
Commercial < = 64,400 thm/year	\$ 0.44388	0.00252	0.02680	0.00695	0.00240	0.48255

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Effective:

**RULES AND REGULATIONS GOVERNING THE
DISTRIBUTION AND SALE OF GAS**

1. The Gas Tariff

1.1 Filing and Posting

A copy of this Tariff, which is the rates, rules and regulations under which gas service will be supplied by Columbia Gas of Pennsylvania, Inc. to its customers in Pennsylvania, is on file with the Pennsylvania Public Utility Commission and is posted and open for inspection at the offices of the Company.

1.2 Revisions

This Tariff may be revised, amended, supplemented and otherwise changed from time to time in accordance with the Pennsylvania Public Utility Law and such changes, when effective, shall have the same force and effect as the present Tariff.

1.3 Application of Tariff

The Tariff provisions apply to any party or parties lawfully receiving gas service from the Company, under the rates set forth therein, and the receipt of gas shall constitute the receiver a customer of the Company as the term is used herein.

1.4 Rules and Regulations

The Rules and Regulations, filed as a part of this Tariff, are a part of every contract or agreement for service, whether written, oral or implied, made by the Company, and govern all classes of service where applicable.

1.5 Statement of Agents

No agent or employee of the Company has authority to make any promise, agreement or representation inconsistent with the provisions of this Tariff.

1.6 Definitions

The following definitions shall apply to this tariff, unless otherwise clearly indicated:

1. Act – The Pennsylvania legislation known as the ‘Natural Gas Customer Choice and Competition Act,’ codified at 66 Pa.C.S. § 2201-2211, revising Public Utility Code, 66 Pa.C.S. §§ 101, et. seq.
2. Applicant - Any person at least 18 years of age, corporation or other entity that (i) desires to receive from the Company natural gas or any other service provided for in this Tariff at a specific location, (ii) complies completely with all Company requirements for obtaining natural gas or any other service provided for in this Tariff, (iii) has requested and is awaiting Company approval of its request for service, and (iv) is not yet actually receiving from the Company any service provided for in this Tariff. An Applicant shall become a Customer for purposes of this Tariff only after it actually starts receiving the applicable service(s) from the Company under this Tariff. (C)

(C) Indicates Change

Issued:

**M. R. Kempic
President**

Effective:

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

1. The Gas Tariff - Continued

1.6 Definitions – Continued

For residential utility service, the term “Applicant” is further defined as a natural person not currently receiving service who applies for residential service or any adult occupant whose name appears on the mortgage, deed or lease of the property for which the residential utility service is requested.

3. “BCF” shall mean one billion (1,000,000,000) cubic feet of gas. This is a measure of gas usage.
4. “Billing Cycle” shall mean the regularly recurring period from one meter reading or estimated meter reading, to the subsequent meter reading or estimated meter reading, upon which a customer bill for gas and distribution service, or distribution service, is rendered. A billing cycle need not coincide with a calendar month. (C)
5. “BTU” or “British thermal unit” is the amount of heat energy needed to raise the temperature of one pound of water by one degree F.
6. “Burner Tip” shall mean the point at which natural gas is used such as a furnace, water heater or range.
7. “Capacity Assignment Factor” shall mean the amount equal to the projected annual cost of assigned Firm Capacity less estimated annual storage commodity costs (storage injection, withdrawal, shrinkage and commodity transportation cost) with the net divided by the estimated normalized annual usage of customers electing Choice Distribution Service.
8. “CCF” is a measure of gas usage and shall mean one hundred (100) cubic feet of gas.
9. “Chapter 56” shall mean the PUC regulations that govern metering, billing and collections for residential gas and electricity service found in 52 Pa. Code Chapter 56.
10. “Choice” and “Choice Service” shall mean Distribution service provided to Customers under rate schedules RDS, and SCD.

11. Commercial Customer

A customer using gas in an establishment of a commercial or service nature including boarding homes and personal care homes. In this class are included, among others, warehousing, distributing or selling commodities, providing professional services or other economic and social endeavors, wholesale and retail stores, offices, office buildings, hotels, clubs, lodges, associations, restaurants, warehouses, railroad and bus stations, banks, laundries, dry cleaners, undertaking establishments, garages, gasoline stations, theaters, bowling alleys, billiard parlors, motor courts, camps, bars, grills, taverns, retail bakeries, private hospitals, public or private schools, churches, religious and charitable institutions, governmental agencies, or the like.

(C) Indicates Change

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

1. The Gas Tariff - Continued

1.6 Definitions - Continued

11. "Commercial Customer" – continued

Included in this group are customers who receive the Company's gas service through one meter set to a combination of four or more dwelling units or through one meter set to a combination of up to three dwelling units and one or more business premises, where the business premises is the predominant usage factor. If the ratepayer's predominate usage is for natural gas powered vehicle service, then the ratepayer will be classified as a commercial ratepayer.

If gas is supplied through a single meter and is used for both commercial and residential or commercial and industrial usage, the service will be considered commercial if it is the predominant usage factor.

12. "Commission" shall mean the Pennsylvania Public Utility Commission. The state agency responsible for utility rates and services offered by the Company and for Natural Gas Suppliers as provided for in 66 Pa. C.S. §2208 of the Act.

13. "Commodity Charge" and "Natural Gas Supply Charge" shall mean basic service charges for natural gas supply services to retail customers, excluding charges for natural gas distribution services.

14. "Company" and "Natural Gas Distribution Company" and "NGDC" shall mean Columbia Gas of Pennsylvania, Inc., a public utility that provides Natural Gas Distribution services and which may provide Natural Gas Supply Services and other services.

15. "Customer" shall mean a person at least 18 years of age, or a partnership, association, corporation or other entity, that purchases natural gas and in whose name a service account exists with the Company. For the limited purpose of changing an NGS, "Customer" may also include an agent who has been duly authorized to initiate a change of the Customer's NGS on behalf of that person, partnership, association, corporation, or other entity through a signed document which identifies by name the agent who has the authority to initiate a change of the Customer's NGS. PA. P.U.C. Docket No. M-00991249F006. (C)

16. "Customer Proxy" generally means the entity that receives notices (e.g. OFOs, OMOs, SFO, etc), receives bills, and controls the gas bank account. Specifically, "Responsible Party" shall mean the Customer in circumstances described in paragraphs 1, 2 and 3 of the "Shipper" definition, and the Natural Gas Supplier in circumstances described by paragraph 4 of the "Shipper" definition.

17. "Distributed Generation" shall mean any generating resource other than central station generation that is placed close to the load being served, usually meaning the customer site. Distributed Generation technologies may include, but not limited to, reciprocating engines, gas turbines, microturbines, and fuel cells.

18. "Distribution", "Distribution Service" and "Natural Gas Distribution Service" shall mean Natural Gas Distribution Service as defined in the Commission's Docket No. M-00991249F0005.

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President**

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

1. The Gas Tariff - Continued

1.6 Definitions - Continued

19. "Distribution Charge" shall mean the basic service charges for the delivery of natural gas to a retail customer from the point of receipt into the Company's system and shall appear as a line item on a customer's bill.
20. "Distribution Pipeline" shall mean any Company pipeline other than a Transmission Pipeline or Company service line.
21. "Dth" or "Dekatherm" shall mean ten (10) therms.
22. "FERC" or "Federal Energy Regulatory Commission" shall mean the United States federal agency with jurisdiction over interstate electricity sales, wholesale electric rates, hydroelectric licensing, natural gas pricing, and oil pipeline rates. FERC also reviews and authorizes liquefied natural gas (LNG) terminals, interstate natural gas pipelines and non-federal hydropower projects. (C)
23. "FTS" shall mean firm transportation service provided by an interstate pipeline in which gas is transported on a firm basis from designated receipt points to designated delivery points. (C)
24. "Gas" or "Natural Gas" or "Natural Gas Supply" or "Gas Supply" shall mean the hydrocarbon gas obtained from underground and undersea porous sedimentary rocks. As specified in this tariff, a customer may purchase their gas from an NGS or from the Company. (C)
25. "Gas Cost Adjustment" shall mean the amount billed or credited each billing cycle to account for the differences between projected and actual gas supply costs of the Company and is also referred to as the Purchased Gas Commodity Cost (PGCC) "E" Factor. When applicable, the Gas Cost Adjustment appears as a line item on a customer bill. (C)
26. "Gas Supply Charge" shall include the PGCC, the Rider GPC and the Rider MFC and will appear as a line item on the bill of a customer purchasing their natural gas supply service from the Company. If the customer has selected an NGS to serve them under Choice Distribution Service, and the Company is including the NGS gas supply price on the Company's bill to the customer, then the Gas Supply Charge will reflect the charge provided by the NGS to be billed to the customer by the Company.
27. "General Distribution Service" and "GDS" shall mean Distribution service provided under rate schedules DGDS, CDS, EGDS, LDS, MLDS, NCS, SGDS or SDS. (C)
28. "Human Needs" or "Essential Human Needs" or "Essential Human Needs Use" shall mean gas usage by customers for service to any buildings where persons normally dwell including, but not limited to, residences, apartment houses, dormitories, hotels, motels, hospitals, correctional institutions, and nursing homes as well as the use of natural gas by sewage plants. (C)

(C) Indicates Change

Issued:

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President

Effective:

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

1. The Gas Tariff - Continued

1.6 Definitions - Continued

29. Industrial Customer

A customer using gas for creating or changing raw or unfinished material into another form or product through the application of heat or heat treating, steam agitation, evaporation, baking, drying, distilling, etc.

Typical industrial users are manufacturing plants, machine shops, steel and iron mills, foundries, lumber planing and saw mills, canneries, dairies, meat packers, breweries, distilleries, potteries, railroad repair shops, refineries, creameries, flour mills, pump stations, ice plants, quarries, milk plants, mines, shipbuilders, chemical plants, grain elevators, food processing facilities, petrochemical operations in which the gas is the raw material, etc. If gas service is supplied through a single meter and is used for both industrial and commercial purposes, the service shall be considered industrial if the industrial usage is the predominant usage factor.

30. "Local Market Area" shall mean a continuous, physically interconnected system of Company owned distribution piping through which the Company provides natural gas service to customers in a discrete geographic area, utilizing one or more common Points of Delivery from interstate pipeline supplier(s) or local gas suppliers(s). (C)
31. "Mcf" shall mean one thousand (1,000) cubic feet of gas.
32. "Month" shall mean calendar month. (C)
33. "Pass-through Charge" shall mean the charge that appears as a line item on a residential, commercial and industrial bill for an account served pursuant to Rate Schedules CAP, RDS, RSS, SGSS, SCD, SGDS, LGSS, and MLSS. Pass-through Charges may include: 1) the Purchased Gas Demand Charge ("PGDC"); 2) the PGDC "E" Factor; 3) the Capacity Assignment Factor ("CAF"); 4) the Rider Customer Choice charge ("Rider CC"); and 5) the Rider Universal Service Plan charge ("Rider USP"). (C)
34. "Pipeline Scheduling Point" or "PSP" shall mean a single delivery point or set of delivery points grouped or designated by an upstream pipeline for purposes of scheduling gas supplies for delivery by such upstream pipeline and shall consist of the following: Interconnections with DTI Transmission, Inc., Equitrans, L.P., National Fuel Gas Supply Corporation, Tennessee Gas Pipeline Company, Texas Eastern Transmission, LP and Columbia Gas Transmission, LLC. The interconnections with Columbia Gas Transmission, LLC include the Market Areas and Master List of Interconnections as defined in the General Terms and Conditions of the FERC Gas Tariff of Columbia Gas Transmission, LLC. As of May 1, 2010, the Columbia Gas Transmission, LLC Pipeline Scheduling Points included: 25E-25 (Lancaster); 25-26 (Bedford); 25E-29 (Downingtown); 25-35 (Pittsburgh); 25-36 (Olean); 25-38 (Rimersburg); 25-39 (New Castle) and 25-40 (PAWV Misc).

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

1. The Gas Tariff - Continued

1.6 Definitions - Continued

35. "Price-to-Compare" or "PTC" shall mean the dollar amount charged by the Company for gas supply and used by consumers to compare prices with other NGSs. The Price-to-Compare includes the PGCC, the CAF, the GPC, the MFC and the Gas Cost Adjustment.

36. Residential Customer

A customer, at least 18 years of age, using gas in a single family residential dwelling or unit for space heating, air conditioning, cooking, water heating, incineration, refrigeration, laundry drying, lighting, incidental heating, or other domestic purposes. For residential utility service, the term "Customer" is further defined as a natural person in whose name a residential service account is listed and who is primarily responsible for payment of bills rendered for the service or any adult occupant whose name appears on the mortgage, deed or lease of the property for which the residential utility service is requested.

Included in this group are customers using gas through one meter set which provides service to two or three dwelling units in a multi-family residence or building where the owner of the building occupies one of the dwelling units, or through one meter set to a combination of one dwelling unit and one or more business premises, where the residential premises is occupied by the owner of the building and is the predominant gas usage factor. If gas is supplied through a single meter and is used for both residential and commercial purposes, the service shall be considered residential if the residential usage is the predominant usage factor.

37. "Sales Service" shall mean service provided by the Company in which the customer purchases its gas supplies from the Company and the Company distributes the gas supplies to the Customer.

38. "Shipper" generally means the entity nominating gas service for Distribution Service accounts. Specifically, "Shipper" is defined as:

- i.) a General Distribution Service Customer that nominates gas for Distribution; or
- ii.) a Natural Gas Supplier that nominates the General Distribution Service Customer's gas for distribution, but which has not been appointed in writing as the Customer's agent by the Customer; or
- iii.) a Natural Gas Supplier that nominates General Distribution Service Customer's gas for distribution, which NGS is acting as the General Distribution Services Customer's duly authorized agent for the purpose of purchasing gas; or
- iv.) a Natural Gas Supplier that nominates the General Distribution Service Customer's gas for distribution, which NGS is acting as the General Distribution Service Customer's duly authorized aggregation agent for the purpose of purchasing gas.

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

1. The Gas Tariff - Continued

1.6 Definitions - Continued

39. "Supplier of Last Resort" or "SOLR" - The Company or another entity as determined pursuant to §2207 of the Act that provides natural gas supply services to customers that do not elect another supplier or choose to be served by the supplier of last resort, customers that are refused service from another natural gas supplier, or customers whose natural gas supplier fails to deliver the required gas supplies. Currently, the Company is the supplier of last resort for all customers under the terms of this tariff. Each customer may only have one supplier of last resort.
40. "Therm" or "thm" shall mean a unit of heat equivalent to 100,000 British thermal units. The Company uses thm as the unit of measure for billing its customers.
41. "Therm multiplier" shall mean a numeric multiplier that is applied to the volume of gas consumed (as measured in cubic feet, CCF, or MCF) to determine the amount of energy consumed (as measured in therms).
42. Transmission Pipeline
- Pipelines and related facilities which are either: 1) owned by the Company in the form of a D-Line or a Company-owned pipeline that operates at a hoop stress of 20 percent or more of the specified minimum yield strength of the pipe as determined by 49 C.F.R §192.3, or 2) pipelines and related facilities owned by another company which obtains at least 90% of its gas operating revenues from the transportation of gas for others and classifies at least 90% of its mains (other than service pipe) as field and gathering lines, storage, or transmission lines. The Company's customers are not typically served directly from a Transmission Pipeline, and according to the provisions set forth in the Termination of Service from Transmission Pipelines section of this tariff, the Company reserves the right to remove, relocate or abandon its Transmission Pipelines.
43. User Without Contract
- Any person who has not contacted the Company to establish service in their name but who is receiving the benefits of natural gas service. This situation includes, but is not limited to, situations wherein the Company arrives at the premise to disconnect the service as a result of a request from the previous customer and finds the premise occupied. User Without Contract does not include instances where the Company's meter or equipment has been tampered with; the service was obtained through fraud or material misrepresentation of the customer's identity; a tariff provision was violated so as to endanger the safety of a person or the integrity of the Company's system, or the gas service was otherwise established without the Company's authorization.

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

2. Service Limitations

2.1 Availability

The use of the Company's service shall not be for any purpose other than that covered by the availability provisions of the rate under which service is supplied.

2.2 Transmission Lines

Transmission pipelines or high pressure "D-Line" distribution facilities, from which gas may be supplied to customers along the route thereof, are not intended and cannot be maintained solely for service to such customers. The Company may refuse to render service from such pipelines in those instances where hazardous conditions of service might result from the pressures involved, where the service is subject to early termination, or partial or complete failure, arising from depletion or insufficiency of local gas supply, where the costs incident to rendering service would be of such nature as to result in discrimination against other customers, or where for other reasons, such as the temporary nature of certain pipelines, the service would be of short duration, hazardous or inadequate. (See the Termination of Service from Transmission Pipelines paragraph of this tariff.)

2.3 Gas Emergency Rules

2.3.1 Definitions

- A. "Alternate Fuel Capability" shall mean a situation in which an alternate fuel could have been utilized whether or not the facilities for such use have actually been installed. For purposes of this definition, alternate fuel means any fuel other than natural gas.
- B. "Emergency" shall mean whenever the aggregate customer demand on the Company's system or confined segment of the system exceeds or threatens to exceed the gas supply or capacity that is actually and lawfully available to the Company to meet the demands, and the actual or threatened excess in demand creates an immediate threat to the Company's system operating integrity with respect to Priority 1 customers, as defined in the Priority-based Curtailment definitions. (C)
- C. "Emergency Action Curtailments" shall mean curtailments of natural gas supply service and/or distribution service pursuant to these Gas Emergency Rules.
- D. "Essential Human Needs Use" shall mean gas usage by customers for service to any buildings where persons normally dwell including, but not limited to, apartment houses, dormitories, hotels, hospitals, and nursing homes as well as the use of natural gas by sewage plants.

(C) Indicates Change

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

2. Service Limitations - Continued

2.3 Gas Emergency Rules- Continued

2.3.1 Definitions - continued

- E. "Firm Service" shall mean service pursuant to schedules or contracts under which the utility is expressly or impliedly obligated to deliver specific quantities of gas within a given time period or which anticipate no interruptions, but which may permit unexpected interruptions in case service to higher priority customers is threatened. (C)
- F. "Interruptible Service" shall mean service pursuant to schedules or contracts under which the utility expressly or impliedly reserves the option to interrupt or curtail deliveries.
- G. "Plant Protection Use" shall mean minimum quantities of natural gas required to prevent physical harm to the plant facilities or danger to plant personnel when such protection cannot be afforded through the use of an alternate fuel. Plant protection requirements include quantities of gas necessary for the protection of such material in process as would otherwise be destroyed, but does not include deliveries required to maintain production.
- H. "Priority 1" shall mean gas supply and distribution services for Essential Human Needs Use.

2.3.2. Demonstration of Firm Pipeline Capacity

(C)

In the event of an Emergency, as defined in the Service Limitations section of the Rules and Regulations of the Company's tariff, the Company may, but is not required to, request Shippers to provide proof of utilization of firm pipeline capacity with primary firm entitlements to a city gate delivering into the company Local Market Area impacted by such Emergency. Absent such proof, the Shipper's deliveries on behalf of its customers(s) in the affected Local Market Area shall not be considered firm to the extent the deliveries exceed the affected customer(s)' contracted Standby Service with the Company.

Proof of firm pipeline capacity as described above shall require the Shipper to provide a copy to the Company of the applicable firm pipeline contracts reflecting the primary firm entitlements to the city gate delivering into the Company Local Market Area impacted by the Emergency and an appropriate nomination on the Company's electronic bulletin board reflecting such contract as the upstream contract in the nomination. The Shipper may redact pricing information in any contract supplied under this paragraph.

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

2. Service Limitations - Continued

2.3 Gas Emergency Rules Continued

2.3.3 Emergency Action Curtailments

- A. In the event of an Emergency, if, in the sole judgment of the Company, there is sufficient time, the Company shall use reasonable business and operational efforts to: interrupt all interruptible services, issue Operational Flow and Matching Orders and Operational Alerts pursuant to the Rules Applicable to Distribution Service section of this tariff, and call for voluntary usage reductions by all customers prior to requiring reductions in gas consumption according to the provisions below.
- B. In the event of an Emergency, the Company may curtail, in part or in whole, natural gas supply and/or distribution service for each commercial and industrial customer that is not a Priority 1 customer. Such curtailments will be made without regard to priorities of use as necessary to minimize the potential threat to public health and safety. Emergency Action curtailments will not require reductions to a level below the amount necessary for Plant Protection Use as defined in the Priority-Based Curtailment Definitions section. When all other service has been curtailed except for Priority 1 service and the Company continues to be unable to meet Priority 1 requirements, the Company shall exercise its judgment as to any further curtailment that may be necessary and shall utilize measures designed to minimize harm to customers if curtailments to plant protection use are found to be necessary. The Company shall restore service as soon as practicable to any gas-fired electric generation facility that is deemed critical to electric system reliability by the electrical system's control area operator.
- C. In order to implement Emergency Action Curtailments, the Company shall provide an authorized usage factor using the means most likely to reach impacted customers (via telephone, fax, e-mail, electronic bulletin board or other reasonable means). For industrial and commercial customers taking General Distribution Service, the authorized usage factor will be based on each customer's then current Maximum Daily Quantity. For sales service customers, the Company will base the authorized usage factor upon a recent billing cycle or other readily available consumption data that is available to both the customer and the Company. (C)
- D. Emergency Action Curtailments shall be for a period specified by the Company until further notice, but shall last no more than five business days unless extended by Commission order. As an alternative to extending mandatory reductions for periods beyond five days, the Commission may order the Company to initiate Priority-Based Curtailments as defined below. The Company may change a customer's authorized usage factor, upon notice, at any time during an Emergency.

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

2.3 Gas Emergency Rules - Continued

2.3.4 Priority-Based Curtailments

- A. In the event the Commission orders a Priority-Based Curtailment, it will be administered in the following order, without incurring thereby any liability for any subsequent loss, injury, expense or damage which the customer may sustain by reason of such curtailment or discontinuance. If less than all of the requirements under a classification must be curtailed or discontinued, the Company will implement the curtailment or discontinuance on a pro-rata basis to the extent feasible, but may require curtailment in only portions of the Company's service territory. The following priority listing identifies the order of interruption for distribution services and sales services by incorporating the interruption requirements found in the Rules Applicable to Distribution Service.

- B. In the event the Commission orders a Priority-Based Curtailment, the Company shall provide all affected customers the maximum notice possible, by means of telephone, fax or other acceptable forms of electronic communications and will specify the curtailment percentage of the customer's firm gas service and resulting allowance as may be the case.

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

2.3 Gas Emergency Rules - Continued

2.3.4 Priority-Based Curtailments - continued

Order of Curtailment	Priority	Rate Schedule	Type of Gas	
1	7	CDS, MLDS, LDS, NSS, NCS, EGDS, NGV, SDSS	Non-Flowing Distribution and Interruptible Service	(C)
2	6	SDS, SGDS	Non-Flowing Distribution and Interruptible Service	
3	5	CDS, MLDS, LDS, NCS, EGDS, NGV	Flowing Non-Contiguous Distribution Service	(C)
4	4	SDS, SGDS	Flowing Non-Contiguous Distribution Service	
5	3	CDS, MLDS, LDS, SDS, SGDS, MLSS, LGSS, SGSS, SS, NCS, EGDS, NGV, NSS	Industrial Flowing Contiguous Distribution and Firm and Interruptible Service	(C)
6	2	CDS, MLDS, LDS, SDS, SGDS, MLSS, LGSS, SGSS, SS, NCS, EGDS, NGV, SCD, NSS	Commercial Flowing Contiguous Distribution and Firm Non-Human Needs and Interruptible Service	(C)
7	1	RSS, SGSS, LGSS, MLSS, MLDS, LDS, SS, RDS, SDS, SGDS	Residential and Essential Human Needs Service	

Notes:

- 1) "Non-flowing Distribution" as used in Priorities (6) and (7) above is defined as the failure of customer-owned supplies to reach a Delivery Point of the Company as enumerated in the Rules Applicable to the Distribution Service.
- 2) "Flowing Non-Contiguous Distribution" as used in Priorities (4) and (5) above is defined as customer-owned supplies which have reached a Delivery Point of the Company, but at a Local Market Area other than the one in which the customers are located as defined in the Rules Applicable to Distribution Service.
- 3) "Flowing Contiguous Distribution" as used in Priority Categories (2) and (3) above is defined as customer-owned supplies which have reached a Delivery Point in the same Company Local Market Area in which the Customer's facilities are located as defined in the Rules Applicable to Distribution Service.
- 4) Customers in a higher priority, with Priority 1 being the highest, will not be curtailed until all customers falling into a lower priority have been restricted to plant protection use levels, unless operational circumstances or physical limitations warrant a different result.
- 5) Where only a partial restriction of a priority category is required, implementation shall be pro-rata to the extent practicable under the circumstances.

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

2. Service Limitations - Continued

2.3 Gas Emergency Rules- Continued

2.3.5 Penalty Provisions

A. Penalty for Unauthorized Use

When a customer consumes more gas than the authorized usage factor specified by the Company under the Gas Emergency Rules section of this tariff, the Customer shall pay a penalty of Four dollars and sixty-six cents (\$4.66) per therm for each therm taken in excess of the customer's authorized usage factor.

Any penalty charges incurred will be billed for the billing cycle in which the unauthorized consumption first occurs. Penalty charges will be due and Customer shall be subject to disconnection of service for nonpayment of such charges in accordance with the Rules and Regulations Governing the Distribution and Sale of Gas of this tariff. (C)

B. Continued Violation

The Company may discontinue service, for the duration of an emergency, to a customer that takes gas in violation of the provisions of the Gas Emergency Rules section of this tariff.

C. Disposition of Penalties

As of December 31 of each year, the Company shall total all penalties then collected from all Customers resulting from the Gas Emergency Rules applicable to the contract period of the same year. As of December 31 of each year, the Company shall also total the penalties paid to its supplier(s) for quantities taken in excess of the quantities authorized by supplier(s) for the contract period of the same year. The Company shall return to all Customers who did not incur penalties under the penalty provisions of the Gas Emergency Rules all penalties collected under the Gas Emergency Rules in excess of those penalties paid to the Company's supplier(s). The total amount of such penalties to be returned shall be divided by the total quantity of sales to all Customers who did not incur penalties during the contract period. The result of this computation shall represent the factor to be multiplied by each such Customer's total purchase quantities during the applicable contract period to determine the amount to be returned for each such Customer as a credit on the invoice to Customer for the January billing cycle. If the credit computed as above is less than one-thousandth of a cent per therm, the penalties to be returned shall be temporarily retained and added to the penalties to be returned in the subsequent period. All references to "contract period" in this Section shall mean a twelve-month period ended October 31. (C)

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

2. Service Limitations - Continued

2.4 Emergency Curtailment for Tests or Repairs

If an emergency situation arises such as the necessity to modify, test, replace or repair the Company's facilities, or the facilities of the Company's supplier of gas, and the gas available for distribution by the Company is insufficient to meet all of the Customer's authorized quantities, then the Company, upon providing as much notice as possible to customer, shall order additional curtailment to customer to the extent required. Such additional reduction required shall be determined by the Company without regard to priorities of use; however, the authorized quantity shall not be lower than the minimum quantity necessary for Plant Protection Use. In the event the initial notice of additional curtailment to Customer is oral, such notice must be confirmed in writing within forty-eight (48) hours. The Commission will be notified immediately of the declaration of an emergency situation.

If Customer exceeds its authorized usage factor during a period of Emergency Curtailment for Tests or Repairs, Customer shall pay a penalty of Four dollars and sixty-six cents (\$4.66) per thm for all quantities taken in excess of the Customer's emergency authorized quantity.

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

8. Extensions - Continued

8.2 Capital Expenditure Policy – Continued

8.2.3 Reduction or Elimination of Deposit

In any case where a deposit is required, it may be reduced or eliminated, if in the Company's judgment, the institution of such service will benefit other customers within a reasonable period of time.

8.2.4 Taxes on Deposits for Construction & Customer Advances

Any deposit, advance or other like amounts received from the applicant which shall constitute taxable income as defined by the Internal Revenue Service will have the income taxes segregated in a deferred account for inclusion in rate base in a future rate case proceeding. Such income taxes associated with a deposit or advance will not be charged to the specific depositor of the capital.

8.3 Deposits and Refunds

When a deposit is required by the Company, the terms and conditions of the project and the refund will be specified in an agreement between the Company and the applicant.

Part or all of the deposit may be subject to refund to the applicant upon such basis or conditions as may be mutually agreeable to the Company and the applicant.

8.4 Ownership and Maintenance

The Company shall own, maintain and renew, when necessary, its main extension and/or service line from its main to the point of delivery, as defined in Rule 7.1.

8.5 Interference with Facilities

The Company's main, service line, curb valve shall not be opened, tampered or interfered with at any time. Any action taken, without the Company's prior knowledge, will be considered an action endangering the safety of a person or the integrity of the Company's delivery system and will be grounds for immediate termination of service.

8.6 Special Facilities

Any special services, facilities, instrumentalities or non-standard construction methodologies which may be rendered or furnished by the Company for an applicant or customer at his request or at the direction of a governmental authority, and not provided for in the Company's rate schedules, and not ordinarily, necessarily, or directly involved in the furnishing of natural gas distribution service, including but not limited to any distribution system improvements necessary to serve customers seeking to add gas fired generating units, natural gas vehicle filling stations or other customer equipment that places higher than typical demands on the distribution system, shall be paid for by the applicant or customer for whom such services, facilities, instrumentalities or non-standard construction methodologies are furnished, and such costs shall be in addition to the charges for natural gas distribution service provided for in the applicable rate schedule or in addition to any deposit required under this section.

(C)

(C) Indicates Change

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

11. Company Equipment on Customer's Premises - Continued

11.5 Access to Premises - Continued

In the event the customer does not provide access during a 12 consecutive billing cycle period to read the meter, upon notice from the Company, the customer must choose from one of the following three options:

- (1) To schedule a service call to gain access to the premises for purposes of inspection or meter reading. The Company will provide one service call annually to customers for the purpose of gaining access. If a customer requests to schedule an additional service call during a 12 consecutive billing cycle period, the customer will be assessed a charge for a one hour service call. Additionally, if the customer fails to meet a scheduled appointment without good cause and without providing a 24 hour notice of cancellation, the Company may charge for one hour of service time. If the Company fails to meet a scheduled appointment without good cause and without providing 24 hour notice of cancellation, the Company may credit the customer's account with a credit equal to one hour of service time; or (C)
- (2) To install, at the Customer's expense, telemetering facilities for purposes of monitoring and/or billing customer usage. Customer shall provide and maintain phone and/or electric lines to the location of such facilities as specified by the Company; or
- (3) To install, an electronic meter-reading device for the purpose of monitoring and/or billing customer usage.

If the customer does not select one of the above three options within 60 days after notice from the Company, the Company reserves the right in its sole discretion to implement one of the above three options. If the customer refuses to allow the Company to implement one of the above three options, it will be grounds for termination. (C)

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

13. Service Continuity

13.1 Regularity of Supply

The Company will use reasonable diligence to provide supply service that is reasonably continuous, and without interruption to those customers purchasing their gas supply from the Company, and the Company will use reasonable diligence to provide distribution service that is reasonably continuous, regular and without interruption to those Customers purchasing distribution service from the Company. The Company shall not be liable for failure to furnish a sufficient supply of gas or for failure to distribute the Customer's gas to the Customer arising from any cause whatsoever, beyond the Company's control. The liability of the Company for damages for failure to furnish a sufficient supply of gas, or for failure to distribute Customer's gas to it shall be limited to an amount equivalent to the Customer's proportional monthly customer service charge for the period of service during which a supply or distribution failure occurs, unless otherwise negotiated between the Company and the customer. In no event shall the Company be liable for extraordinary or consequential damages arising in any manner whatsoever as a result of supply or distribution failure.

13.2 Interruption of Service

The Company may temporarily interrupt service where necessary to effect repairs or maintenance, to eliminate an imminent threat to life, health, safety, or substantial property damage, or for reasons of local, State or national emergency; provided, however, that if such interruption exceeds seven (7) days in any one billing cycle, the applicable customer charge and the quantity of gas specified in each rate block shall be reduced prorata. (C)

13.3 Notice of Trouble

The customer shall notify the Company immediately should the service be unsatisfactory for any reason, or should there be any defects, leaks, trouble, or accident affecting the supply of gas.

13.4 Force Majeure

Neither Company nor customer shall be liable in damages to the other for any act, omission circumstance occasioned by or in consequence of any acts of God, strikes, lockouts affecting the Company or its suppliers of gas, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lighting, earthquakes, fires, storms, floods, washouts, arrests and restrains of rulers and peoples, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, the binding order of any court or governmental authority which has been resisted in good faith by all reasonable legal means, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension.

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

14. Customer's Use of Service

14.1 Precautions to be Taken by Customer

A customer shall take due care to prevent any waste of gas. The responsibility of detection of defects and leaks on the customer's premises and in the service line is upon the customer. Defects among other things shall mean failure or deficiency of gas, irregular supply, leakage and excessive pressure. In case of detection of any defect within his premises, the customer shall immediately vacate the premises and then, immediately thereafter, notify the Company so that the conditions existing may receive prompt and proper attention. When gas has been shut off because of a leak in house lines or fixtures or other hazardous conditions of service, it shall not be turned on again until such leak or other hazardous conditions have been repaired and made safe either by a competent plumber or gas-fitter.

14.2 Sale of Gas by Customer

The customer shall not sell gas purchased by him from the Company to other occupants of the premises or to other premises without the written permission of the Company.

14.3 Fluctuations

Gas service must not be used in such a manner as to cause unusual fluctuations or disturbances in the Company's supply system, and in the case of a violation of this rule, the Company may discontinue service or require the customer to modify his installation and/or equip it with approved controlling devices.

14.4 Liability for Damages

In the absence of proof of causal negligence, the Company shall not be liable for any injury to persons or damage to property arising or accruing in any manner whatsoever from the use of gas.

14.5 Residential Appliance Efficiency Information

The Company shall maintain a list of the names and telephone numbers of the major manufacturers of residential gas appliances. Upon request from a customer, which can come via e-mail (cpacustserv@nisource.com), letter, or phone call, the Company will provide the customer with a particular manufacturer's telephone number and address so that the customer may contact the manufacturer directly for energy efficiency information.

(C) Indicates Change

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

15. Measurement

15.1 Measurement of Gas

Except as herein otherwise provided, the measurement of gas service shall be by meters purchased and installed by the Company. The meter will be of such size and type as the Company may determine to adequately serve the customer's service requirements, and the Company may from time to time, change or alter the equipment to provide for accurate measurement. To determine measured usage, factors such as those for pressure, temperature, specific gravity and deviation from the laws for ideal gases shall be applied.

15.2 Meters Not Available

In cases where meters are not available due to circumstances beyond the control of the company, and the necessity for rendering gas service to the customer is urgent, the Company may, by written agreement with the customer, commence service and render bills temporarily on the basis of estimated gas consumption.

15.3 Meter Reading

(C)

The Company may read any of its meters at least once each billing cycle. The meter reading is used to determine a customer's usage for billing.

The Company may determine a meter reading for billing purposes by: 1) sending a representative to the location of the meter at the customer's premise to obtain the reading; 2) using telemetry to download the meter reading; 3) estimating a meter reading after unsuccessfully attempting to obtain an actual meter reading; or 4) obtaining a reading using an automated meter reading device.

Estimated Meter Reading

The Company may estimate a meter reading if: 1) the Company's agent or representative is unable to gain access to the meter; 2) the meter or the meter reading dial has malfunctioned thus preventing the meter from reflecting an accurate reading, or 3) other circumstances exist that prevent the Company from reading the meter.

When the Company is unable to obtain an actual meter reading, an estimated meter reading shall be used to determine the usage. The estimated reading will be based on prior usage at the premise for a similar period of time and corrected for current conditions.

In order to avoid a bill based on an estimated meter reading, a customer may record the meter reading and submit it to the Company. If such reading is received by the Company the bill for the current billing cycle may be calculated using the meter reading provided by the customer instead of the meter reading estimated by the Company.

15.4 Automated Meter Reading

All readings by an Automated Meter Reading (AMR) device shall be deemed actual readings.

(C)

(C) Indicates Change

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

15. Measurement - Continued

15.5 Estimated Usage

(C)

The Company may use an estimated meter reading to determine usage for billing. Usage is estimated when: (1) meter readings are on a bimonthly basis; or (2) when the Company's agent or representative is unable to gain access to the meter location; or (3) any meter or measuring device fails to register the actual gas usage for any period of time; or (4) the Company is unable to obtain a meter reading for causes beyond its control.

In those instances where, during normal working hours, the Company's agent or representative is unable to gain access to the meter to obtain a meter reading, the number of estimated readings shall be limited to six consecutive months, and the customer's service, thereafter, is subject to termination. (See the Grounds for Termination of Service paragraph in the Termination of Service section of this tariff.)

The estimated usage shall be determined by subtracting the previous meter reading, whether actual or estimated, from the current estimated meter reading. For billing purposes, the estimated usage is subject to a therm adjustment, and where applicable, a temperature and pressure adjustment. The estimated usage will be used to calculate the customer bill.

The customer shall be obligated to pay the bill based on the estimated consumption as though the bill was based on an actual meter reading. The customer's gas service will be subject to termination for failure to pay the bill as specified in the Grounds for Termination of Service paragraph of this tariff.

Bills for usage based on estimated meter readings shall be subject to adjustment for any unusual circumstances found to have affected the quantity of gas used, or for obvious errors in estimates. When an actual meter reading is obtained that indicates previous estimates are inaccurate, adjustments to the estimates shall be reflected in the next bill issued to the customer.

15.6 Flowing Temperature

The Company shall determine the temperature of the natural gas flowing through the meter or meters by recorder, from established tables for the location involved, or by use of temperature sending elements used in conjunction with electronic measuring devices.

(C) Indicates Change

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**M. R. Kempic
President**

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

15. Measurement - Continued

15.7 Measuring Equipment

Unless otherwise agreed upon, the Company will own, install, maintain and operate measuring stations equipped with displacement or flow meters and other necessary measuring equipment to determine the quantity of gas delivered. The gas delivered shall be measured in accordance with the latest approved methods in use in the industry generally. Orifice meters shall be installed and operated, and gas quantities computed, in accordance with Report No. 3 of the Gas Measurement Committee of the American Gas Association, as amended, expanded or superseded from time to time, applied in a practical and appropriate manner. Displacement meter readings shall be adjusted for pressure and temperature conditions. Customer may install check measuring equipment, provided such equipment is installed so as not to interfere with the operations of the Company. The Company and Customer, in the presence of each other, shall have access to the other's measuring equipment at all reasonable times, but, unless otherwise agreed upon, the reading, calibrating and adjustment thereof and the changing of charts shall be done only by the owner thereof. Both the Company and Customer shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting testing, calibrating or adjusting done in connection with the other's measuring equipment. The records from such measuring equipment shall remain the property of their owner, but, upon request, each will submit to the other its records and charts, together with calculations therefrom, for inspection, subject to return within thirty (30) days after receipt thereof. Customer shall exercise reasonable care in the installation, maintenance and operation of its equipment so as to avoid any inaccuracy in the determination of the quantity of gas delivered.

15.8 Therm Adjustment

The Company shall apply a therm multiplier to metered cubic foot usage to adjust for heating value. This therm multiplier shall be calculated monthly based on the most recent reported heating value for the Pipeline Scheduling Point ("PSP") within the Company's service territory in which the customer's meter is located.

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

17. Payment Terms – Continued

17.5 Disputed Bills

In the event of a dispute between the customer and the Company respecting any bill, the Company will forthwith make such investigation as may be required by the particular case and report the result thereof to the customer.

The first disputed bill investigation in a twelve consecutive billing cycle period will be provided at no charge, any subsequent request by the customer in the same twelve consecutive billing cycle period will be assessed the cost of the service call unless the investigation detects metering or some other Company error. The charge to the customer shall be limited to the Company's costs based upon the actual time spent on the service call, with a maximum charge equal to a 45 minute service call; or the maximum charge for a meter test pursuant to Commission regulations if applicable. (C)

When the Company has made such a report to the customer, either (1) sustaining the bill as rendered or (2) submitting a corrected bill, the date of the bill for purposes of payment shall be considered to be as of the date of said report, and the customer shall pay the amount due within the time provided in these Rules and Regulations, and failure to so pay shall render the customer and his service liable to the penalties herein provided. Any amounts received by the Company in excess of the amount disclosed to be due by the Company's investigation of the dispute shall be forthwith returned to the customer if the error arose from any cause other than the incorrect estimating of a customer's consumption for the period in dispute. Errors arising through the incorrect estimating of a customer's consumption shall be adjusted in accordance with the provisions of Rule 15.5 of these Rules and Regulations.

17.6 Interest on Overpayments

The Company will pay interest on refunds of customer overpayments at the rate of six percent (6%) per annum without deduction for any taxes thereon, except where customer overpayments are refunded within ninety (90) days of overpayment. The term "customer overpayment" shall not include any balance that may arise under the Company's budget billing program.

(C) Indicates Change

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

20. Flexible Rate Provisions

20.1 Applicability

Customers receiving service under Rate Schedules SDS, LDS, RSS, RDS, DGDS, SGSS, LGSS, SGDS, SCD, SS, NSS, MLSS, and MLDS ("Primary Schedule") may be charged a flexible distribution charge with respect to competition from alternate fuels. Service under Rate RSS, and RDS, shall be firm and the Company will maintain firm capacity to serve such customers. Gas Costs to Rate Schedules RSS and RDS will not be flexed. (C)

20.2 Election of Flexible Rate

Components of a customer's rate may be lowered when the customer submits a sworn affidavit that a lower rate is required to meet competition from an alternate fuel. Rate components eligible for a downward adjustment include: 1) the Distribution Charge; 2) the Distribution System Improvement Charge Rider; 3) the Customer Choice Rider; 4) the Elective Balancing Service charge; and 5) the retainage percentage when otherwise applicable. (C)

Prior to flexing distribution charges for distribution service customers, the Company may reduce charges that are for recovery of balancing service charges under Rider EBS and/or the retainage percentage applied to the gas received on behalf of the distribution service customer. However, any discount to the retainage percentage undertaken to compete with another NGDC will not be recoverable by the Company in its annual 1307(f) filing.

The Company reserves the right to verify the accuracy of statements included in this affidavit and the right to make final determination as to the quantities of natural gas used in each billing period in place of alternate fuels. The Company will notify the customer of the applicable charge, if lower than the applicable Distribution Charge in the Primary Rate Schedule, that the Company determines is required to meet the delivered price of the alternate fuel four (4) days prior to the beginning of each billing cycle unless the rate is the same as charged by the Company in the prior billing cycle. (C)

The Company will only lower its Distribution Charge below the maximum rate under the Primary Rate Schedule as a last resort, and only to the extent it is necessary to meet the demonstrated competitive alternate fuel price. Any lowered Distribution Charge shall be offered regardless of whether the customer is receiving sales service or Distribution Service. For customers eligible for service under Rate RDS and SCD, the Company will advise NGSS upon request whether a particular customer is receiving or is eligible to receive a lowered Distribution Charge. (C)

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RATE RSS - RESIDENTIAL SALES SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available, at one location, for the total requirements of any residential customer.

RATE

The customers under this rate schedule shall be subject to a Customer Charge, a Gas Supply Charge, a Distribution Charge, a Weather Normalization Adjustment, a Pass-through Charge and a Gas Cost Adjustment (when applicable).

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

If a customer transfers to this rate from Rate RDS-Residential Distribution Service then for a period of twelve months, the rate shall be adjusted to exclude the amount per thm equal to the current Commodity "E" Factor which is reflected on the customer bill as the Gas Cost Adjustment.

The Distribution Charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff. For accounts with distributed generation served under this rate schedule, the term "alternate fuel" shall include electricity. (C)

MINIMUM CHARGE

The minimum charge shall be the Customer Charge.

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in this tariff.

RIDER PGC

The Pass-through Charge and the Gas Supply Charge include recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider of this tariff.

USP COSTS AND CUSTOMER CHOICE COSTS

Rider Universal Services Plan and Rider Customer Choice as specified within Rider USP and Rider Customer Choice in this tariff will be reflected in the Pass-through Charge on the customer bill.

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

Rate RSS is subject to a Distribution System Improvement Charge as specified within Rider DSIC of this Tariff.

(C) Indicates Change

RATE RSS – RESIDENTIAL SALES SERVICE (CONTINUED)

TERMS OF PAYMENT

Bills for sales service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than twenty (20) days after presentation (date of postmark).

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 billing cycle will accrue on the portion of the customer's bill that is unpaid on the due date. (C)

SPECIAL PROVISIONS

1. If service under this rate schedule is discontinued at the request of the Customer, the Company shall be under no obligation to reconnect service to the same Customer on the same premises until the Customer pays the minimum charge for each billing cycle of the intervening period, but not to exceed twelve (12) months. (C)

2. Where a customer has installed a gas light(s) in lighting devices approved by the Company, and the gas used by such light(s) is unmetered, the gas consumed by such light(s) shall be assumed to be two thousand (2,000) cubic feet per month when the Btu/hr input rating for such light(s) is 2,700 or less. For each additional 1,350 Btu/hr or fraction thereof, the assumed consumption shall be increased by one thousand (1,000) cubic feet per month. Such assumed consumption shall be billed under the rates contained herein, or if in combination with metered usage under this rate schedule, shall be added to the customer's metered usage and the total billed under the rates contained herein.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RATE RDS - RESIDENTIAL DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any residential customer meeting the following conditions:

1. The customer does not take service under any other rate schedule.
2. The customer or group of customers having an aggregate annual demand of at least 53,650 thm or a minimum of 50 customers and in compliance with the aggregation provisions in the Rules Applicable to Distribution Service elect an NGS to provide natural gas commodity service. The gas supply for each aggregation must enter the Company's system at a city gate(s) used by the Company to serve the customers unless otherwise permitted by Columbia.

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be considered firm service.

RATE

The customers under this rate schedule shall be subject to a Customer Charge, a Distribution Charge, a Weather Normalization Adjustment, a Pass-through Charge, and a Gas Cost Adjustment when applicable.

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

The Distribution Charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff. For accounts with distributed generation served under this rate schedule, the term "alternate fuel" shall include electricity. (C)

In addition, if the customer transfers to this rate from rate RSS-Residential Sales Service, then for a period of twelve months, the rate shall be adjusted to include the amount per thm equal to the current Commodity "E" Factor which is reflected on the customer bill as the Gas Cost Adjustment.

MINIMUM CHARGE

The minimum charge shall be the Customer Charge.

RIDER PGC

The Pass-through Charge includes recovery of purchased gas demand costs pursuant to the Rider PGC as set forth in this Tariff.

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in this tariff.

USP COSTS AND CUSTOMER CHOICE COSTS

Rider Universal Service Plan and Rider Customer Choice as specified within Rider USP and Rider Customer Choice in this tariff will be reflected in the Pass-through Charge on the customer bill.

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

Rate RDS is subject to a Distribution System Improvement Charge as specified within Rider DSIC of this Tariff.

(C) Indicates Change

Issued:

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President

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RATE RDS - RESIDENTIAL DISTRIBUTION SERVICE (CONTINUED)

TERMS OF PAYMENT

Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than twenty (20) days after presentation (date of postmark).

If the Choice 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 billing cycle will accrue on the portion of the bill that is unpaid on the due date consistent with the Billing Option Selection section of the Rules Applicable to Distribution Service. (C)

SPECIAL PROVISIONS

1. If service under this rate schedule is discontinued at the request of the Customer, the Company shall be under no obligation to reconnect service to the same Customer on the same premises until the Customer pays the minimum charge for each billing cycle of the intervening period, but not to exceed twelve (12) months. (C)

2. Where a Customer has installed a gas light(s) in lighting devices approved by the Company, and the gas used by such light(s) is unmetered, the gas consumed by such light(s) shall be assumed to be twenty-one (21) thm per billing cycle when the Btu/hr input rating for such light(s) is 2,700 or less. For each additional 1,350 Btu/hr or fraction thereof, the assumed consumption shall be increased eleven (11) thm per billing cycle. Such assumed consumption shall be billed under the rates contained herein, or if in combination with metered usage under this rate schedule, shall be added to the Customer's metered usage and the total billed under the rates contained herein. (C)

3. The Customer may receive a separate bill from its NGS for services provided by the NGS. Otherwise, all charges for natural gas service to the Customer will be billed by the Company. When the Company bills for the NGS, the Company will have the right to terminate service for failure to pay the NGS's Natural Gas Supply Services charges portion of the bill in compliance with all applicable laws and regulations regarding termination of service, including the Termination of Service rule of this Tariff. The NGS shall not be permitted to accept the Company's bill for distribution on behalf of the Customers.

4. Before participating in the Choice Service distribution program, Customers with arrears, who are not already subject to a payment plan, shall be required to enter into a payment plan with the Company.

5. The Company will purchase at a discount the accounts receivable from NGSs who elect to have the Company provide a single bill monthly to the customer for distribution service and the NGS's Natural Gas Supply Services charges.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern where applicable, the supply of distribution service under this rate schedule.

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RATE SGSS - SMALL GENERAL SALES SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available, at one location, for the total requirements of any commercial or industrial customer whose total throughput requirements are less than or equal to 64,400 thm annually, and who does not contract for distribution service.

RATE

The customers under this rate schedule shall be subject to a Customer Charge, a Gas Supply Charge, a Distribution Charge and a Pass-through Charge.

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

If a customer transfers to this rate from Rate SCD-Small Commercial Distribution Service, Rate SGDS - Small General Distribution Service, Rate CDS – Cogeneration Distribution Service, or Rate DGDS - Distributed Generation Distribution Service, then for a period of twelve months, the rate shall be adjusted to exclude the amount per thm equal to the current commodity "E" Factor which is reflected on the customer bill as the Gas Cost Adjustment.

MINIMUM CHARGE

The minimum charge shall be the Customer Charge.

DETERMINATION OF CUSTOMER CHARGE

The Customer Charge will be determined based upon the Customer's actual throughput quantities, including sales and distribution, measured in therms (thm), for the twelve most recent billing cycle periods ending with the October billing cycle. If a Customer does not have sufficient consumption history to determine its Customer Charge based on twelve months, the Customer Charge will be developed by annualizing the consumption history available. In the instance where a customer has no consumption history, the Company will request the Customer to submit estimated annual gas requirement, including sales and distribution, upon which to develop the Customer Charge. The Company in all cases retains the right to review and modify the Customer's estimate where necessary. A customer's Customer Charge will remain constant annually, subject to change as of the January billing cycle of each year. (C)

In all cases, the Company reserves the right to review the Customer Charge and, upon receipt of satisfactory proof, to adjust the Customer Charge to reflect the installation and use of energy efficient gas burning equipment, or the implementation of energy conservation practices or measures, which results in a measurable permanent change in the customer's requirement or consumption.

(C) Indicates Change

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RATE SGSS - SMALL GENERAL SALES SERVICE (Continued)

STATE TAX ADJUSTMENT SURCHARGE

The State Tax Adjustment Surcharge will be applied to the non-Purchased Gas Cost portion of the charges set forth in this rate schedule.

RIDER PGC

The Pass-through Charge and Gas Supply Charge for sales service include recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider as set forth in this Tariff.

CUSTOMER CHOICE COSTS

The Customer Choice charge pursuant to Rider CC will be reflected in the Pass-through Charge on the customer bill.

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

Rate SGSS is subject to a Distribution System Improvement Charge as specified within Rider DSIC of this Tariff.

TERMS OF PAYMENT

Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than fifteen (15) days after presentation (date of postmark).

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 billing cycle will accrue on the portion of the bill that is unpaid on the due date.

(C)

CUSTOMER DEVELOPMENT/RETENTION PROVISIONS

1. An existing Customer currently receiving service under this rate schedule or a potential Customer eligible to receive service under this rate schedule is eligible to receive special development/retention rates, if the customer meets the following conditions:
 - a. The Customer agrees to enter into a three-year contract for service under this rate schedule.
 - b. The Customer gives the Company a sworn affidavit stating that, absent service under these Customer Development/Retention Provisions, the customer would install an alternate source of energy; would construct facilities to obtain gas service from an alternative source; or would not construct facilities or operation in the company's operating territory.
 - c. If the Customer qualifies under these Customer Development/Retention Provisions, the monthly charges for service to the Customer shall be computed based upon a declining percentage reduction in the Distribution Charge under this rate schedule. The customer Charge, Gas Supply Charge, Pass-through Charge, penalties and charges of third party transporters, if any, to a Customer serviced under this rate schedule are not subject to reduction. The percentage reductions are as follows:

First Year	35% reduction
Second Year	25% reduction
Third Year	15% reduction

(C) Indicates Change

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RATE SGSS - SMALL GENERAL SALES SERVICE (Continued)

CUSTOMER DEVELOPMENT/RETENTION PROVISIONS (Continued)

2. Except as modified by the terms of these Customer Development/Retention Provisions, all provisions of this rate schedule apply to service to the Customer.

SPECIAL PROVISIONS

1. If service under this rate schedule is discontinued at the request of the Customer, the Company shall be under no obligation to reconnect service to the same customer on the same premises until the customer pays the monthly minimum charge for each billing cycle of the intervening period, but not to exceed twelve (12) months. (C)
2. Customers classified as "other" shall be billed under this rate schedule.
3. Where a customer has installed a gas light(s) in lighting devices approved by the Company, and the gas used by such light(s) is unmetered, the gas consumed by such light(s) shall be assumed to be twenty-one (21) thm per billing cycle when the Btu/hr input rating for such light(s) is 2,700 or less. For each additional 1,350 Btu/hr or fraction thereof, the assumed consumption shall be increased by eleven (11) thm per billing cycle. Such assumed consumption shall be billed under the rates contained herein, or if in combination with metered usage under this rate schedule, shall be added to the customer's metered usage and the total billed under the rates contained herein. (C)
4. Energy usage eligibility for this rate schedule will be determined annually. In the event the Customer's annual purchases are in excess of 64,400 thm, the customer shall be transferred to Rate LGSS.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

Issued:

M. R. Kempic
President

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RATE SGDS - SMALL GENERAL DISTRIBUTION SERVICE (Continued)

DETERMINATION OF CUSTOMER CHARGE

The Customer Charge will be determined based upon the Customer's actual throughput quantities, including sales and distribution, measured in therms (thm), for the twelve most recent billing cycle periods ending with the October billing cycle. If a Customer does not have sufficient consumption history to determine its Customer Charge based on twelve months, the Customer Charge will be developed by annualizing the consumption history available. In the instance where a customer has no consumption history, the Company will request the Customer to submit estimated annual gas requirements, including sales and distribution, upon which to develop the Customer Charge. The Company in all cases retains the right to review and modify the Customer's estimate where necessary. A customer's Customer Charge will remain constant annually, subject to change as of the January billing cycle of each year. (C)

In all cases, the Company reserves the right to review the Customer Charge and, upon receipt of satisfactory proof, to adjust the Customer Charge to reflect the installation and use of energy efficient gas burning equipment, or the implementation of energy conservation practices or measures, which results in a measurable permanent change in the customer's requirement or consumption.

MINIMUM CHARGE

The minimum charge shall be the sum of (a) the Customer Charge; plus (b) purchase gas demand charges, if any, under Rate SS. In the event of curtailment in the delivery of gas by the Company below the Maximum Daily Firm Requirement of the Customer, if any, under Rate SS, or complete or partial suspension of operation by the customer due to strikes, fires, floods, explosions or other similar casualties, the Customer Charge shall be reduced in direct proportion to the ratio which the number of days of curtailed service or complete or partial suspension of operation bears to the number of days in the billing period.

STATE TAX ADJUSTMENT SURCHARGE

The charges are subject to a State Tax Adjustment Surcharge as set forth in this tariff.

RIDER PGC

The Pass-through Charge for Priority One Service includes recovery of Purchased Gas Demand Costs pursuant to the Purchased Gas Cost Rider as set forth in this Tariff.

ELECTIVE BALANCING SERVICE RIDER

Distribution service under this rate schedule shall be subject to the provisions of Rider EBS as set forth in this Tariff.

CUSTOMER CHOICE RIDER

If applicable, the Customer Choice charge pursuant to Rider CC will be reflected in the Pass-through Charge on the customer bill. (C)

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

Rate SGDS is subject to a Distribution System Improvement Charge as specified within Rider DSIC of this Tariff.

APPLICABLE SALES SERVICE RATE

Priority One customers desiring to purchase gas shall be charged an amount for recovery of purchased gas costs as set forth in the Rules Applicable to Distribution Service, plus the Priority One Service rate.

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RATE SGDS - SMALL GENERAL DISTRIBUTION SERVICE (Continued)

APPLICABLE SALES SERVICE RATE (Continued)

Non-Priority One distribution customers under this Rate Schedule desiring to purchase gas shall be charged an amount for recovery of purchased gas costs as set forth in the Rules Applicable to Distribution Service, plus the non-gas portion of the distribution rate.

Sales service hereunder shall be considered imbalance gas as defined in the Rules Applicable to Distribution Service section of this tariff. The Company undertakes no responsibility to obtain sufficient gas supplies to avoid interruption of sales service on a daily basis, and sales service is totally interruptible on any day when the Company gives notice to the customer that gas supply is inadequate to supply the customer's requirements, except to the extent the customer nominates Maximum Daily Firm Requirement under Rate SS.

The Company shall give the customer 2 hours advance notice of interruption. Customer agrees that Company shall not be liable for any loss or damage that may be sustained by the customer by reason of any interruption of service.

A Non-Priority One customer is subject to a charge for unauthorized takes after notice to interrupt. On any day when a Non-Priority One customer has been given notice by the Company to interrupt, any quantity of gas taken in excess of the quantity specified to be made available that day shall constitute unauthorized takes and shall be subject to the charges set forth in the Rules Applicable to Distribution Service. Payments of such penalty charge shall be in addition to the charges specified in this rate schedule.

TERMS OF PAYMENT

Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than fifteen (15) days after presentation (date of postmark).

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 billing cycle will accrue on the portion of the bill that is unpaid on the due date. (C)

CUSTOMER DEVELOPMENT/RETENTION PROVISIONS

1. An existing Customer currently receiving service under this rate schedule or a potential Customer eligible to receive service under this rate schedule is eligible to receive special development/retention rates, if the customer meets the following conditions:

a. The Customer agrees to enter into a three-year contract for service under this rate schedule.

b. The Customer gives the Company a sworn affidavit stating that, absent service under these Customer Development/ Retention Provisions, the Customer would install an alternate source of energy; would construct facilities to obtain gas service from an alternative source; or would not construct facilities or operations in the Company's operating territory.

(C) Indicates Change

Issued:

M. R. Kempic
President

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RATE SGDS - SMALL GENERAL DISTRIBUTION SERVICE (Continued)

CUSTOMER DEVELOPMENT/RETENTION PROVISIONS (Continued)

c. If the Customer qualifies under these Customer Development/Retention Provisions, the monthly charges for service to the Customer shall be computed based upon a declining, percentage reduction in the Distribution Charge under this rate schedule. The Customer Charge, Gas Supply Charge, Gas Cost Adjustment, Pass-through Charge, penalties and charges of third party transporters, if any, to a Customer served under this rate schedule are not subject to reduction. The percentage reductions are as follows:

First Year	35% reduction
Second Year	25% reduction
Third Year	15% reduction

2. Except as modified by the terms of these Customer Development/Retention Provisions, all provisions of this rate schedule apply to service to the Customer.

SPECIAL PROVISIONS

1. If service is discontinued at the request of the customer, the Company shall be under no obligation to reconnect service to the same customer on the same premises until the customer pays the minimum charge for each billing cycle of the intervening period, but not to exceed twelve (12) months. (C)

2. Where a customer has installed a gas light(s) in lighting devices approved by the Company, and the gas used by such light(s) is unmetered, the gas consumed by such light(s) shall be assumed to be twenty-one (21) thm per billing cycle when the Btu/hr input rating for such light(s) is 2,700 or less. For each additional 1,350 Btu/hr or fraction thereof, the assumed consumption shall be increased by eleven (11) thm per billing cycle. Such assumed consumption shall be billed under the rates contained herein, or if in combination with metered usage under this rate schedule, shall be added to the customer's metered usage and the total billed under the rates contained herein. (C)

3. Energy usage eligibility for this rate schedule will be determined annually. In the event the Customer's total annual purchases of sales and distribution are in excess of 64,400 thm, the customer shall be transferred to Rate SDS, or Rate LDS, as applicable.

4. The Company reserves the right, as a condition of service or as a condition of continuation of service under this rate schedule, to require the customer to install and bear the costs associated with a daily demand reading meter plus all costs associated with dedicated telephone lines and telemetering equipment, and such installation shall be at the expense of the customer, excluding the cost of the meter. The meter and associated telemetering equipment shall be the property of the Company.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

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M. R. Kempic
President

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RATE SCD - SMALL COMMERCIAL DISTRIBUTION (Continued)

RIDER CUSTOMER CHOICE

The Pass-through Charge reflects the Rider Customer Choice rate pursuant to Rider CC.

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

Rate SCD is subject to a Distribution System Improvement Charge as specified within Rider DSIC of this Tariff.

RIDER PGC

The Pass-through Charge includes recovery of purchased gas demand costs pursuant to the Purchased Gas Cost Rider as set forth in this Tariff.

TERMS OF PAYMENT

Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than fifteen (15) days after presentation (date of postmark).

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 billing cycle will accrue on the portion of the bill that is unpaid on the due date. (C)

SPECIAL PROVISIONS

1. If service under this rate schedule is discontinued at the request of the customer, the Company shall be under no obligation to reconnect service to the same customer on the same premises until the customer pays the monthly minimum charge for each billing cycle of the intervening period, but not to exceed twelve (12) months. (C)
2. Where a customer has installed a gas light(s) in lighting devices approved by the Company, and the gas used by such light(s) is unmetered, the gas consumed by such light(s) shall be assumed to be twenty-one (21) thm per billing cycle when the Btu/hr input rating for such light(s) is 2,700 or less. For each additional 1,350 Btu/hr or fraction thereof, the assumed consumption shall be increased by eleven (11) thm per billing cycle. Such assumed consumption shall be billed under the rates contained herein, or if in combination with metered usage under this rate schedule, shall be added to the customer's metered usage and the total billed under the rates contained herein. (C)
3. The customer, at its option, may receive a separate bill from its NGS for services provided by the NGS. Otherwise, all charges for natural gas supply service to the customer will be billed by the Company. When the Company bills for the NGS, the Company will have the right to terminate service for failure to pay the NGS's Natural Gas Supply Service charges in compliance with all applicable laws and regulations regarding termination of service.
4. Before participating in Choice Service, customers with arrears, who are not already subject to a payment plan, shall be required to enter into a payment plan with the Company.
5. The Company will purchase at a discount the accounts receivable from NGSs who elect to have the Company bill the NGS's Natural Gas Supply Service charges.
6. An NGS may choose the Company's consolidated billing option or issue its own bills for Gas Supply Service charges (Billing Option 1 or Billing Option 2 as described in the Rules Applicable Only to Choice Service) for all or a portion of its customers eligible for Rate SCD.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RATE SDS - SMALL DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any commercial or industrial customer meeting all of the following conditions:

1. The Customer's annual throughput requirements, including sales and distribution service, are in excess of 64,400 thm.
2. The Customer does not take service under any other rate schedule except Rate SS - Standby Service.
3. The Customer's annual throughput, as determined under the Customer Charge provisions below, is less than or equal to 540,000 thm.

Service is available when such customer(s) acquires its own gas and executes a contract with the Company for a period of not less than one (1) year for distribution service in accordance with all terms and conditions of such contract.

Service under this rate schedule shall not be available to a single customer who is a Priority One Customer, as defined in the Service Limitations section of this Tariff, unless such customer also contracts for firm service under Rate SS-Standby Service at a level necessary to meet the portion of daily and seasonal requirements of the facility not covered by installed operable alternative fuel capability.

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be considered firm service on the Company's system; provided, however, that it is the customer's obligation to deliver sufficient gas supplies to the mutually agreed upon receipt point in the Company's facilities.

A Small Distribution Service account may be returned to the applicable Sales Service rate if for a period of at least five (5) consecutive days in one billing cycle the Company:

- (1) has not received gas supply for the account;
- (2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and
- (3) the customer consumed gas on one or more days during such five (5) day period.

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

(C)

RATE SDS - SMALL DISTRIBUTION SERVICE (Continued)

RATE

The customers under this rate schedule shall be subject to a Customer Charge and a Distribution Charge.

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

The Customer Charge will be determined based upon the customer's actual throughput quantities, including sales and distribution, measured in therms (thm), for the twelve most recent billing cycle periods ending with the October billing cycle. If a customer does not have sufficient consumption history to determine its Customer Charge based on twelve months, the Customer Charge will be developed by annualizing the consumption history available. In the instance where a customer has no consumption history, the Company will request the customer to submit estimated annual gas requirements, including sales and distribution, upon which to develop the Customer Charge. The Company in all cases retains the right to review and modify the customer's estimate where necessary. A customer's Customer Charge will remain constant annually, subject to change as of the January billing cycle of each year.

(C)

In all cases, the Company reserves the right to review the Customer Charge and, upon receipt of satisfactory proof, to adjust the Customer Charge to reflect the installation and use of energy efficient gas burning equipment, or the implementation of energy conservation practices or measures, which results in a measurable permanent change in the customer's requirement or consumption.

The Distribution Charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff.

MINIMUM CHARGE

The minimum charge shall be the sum of (a) the Customer Charge; plus (b) purchased gas demand charges, if any, under Rate SS. In the event of curtailment in the delivery of gas by the Company below the Maximum Daily Firm Requirement of the customer, if any, under Rate SS, or complete or partial suspension of operation by the customer due to strikes, fires, floods, explosions or other similar casualties, the Customer Charge shall be reduced in direct proportion to the ratio which the number of days of curtailed service or complete or partial suspension of operation bears to the number of days in the billing period.

STATE TAX ADJUSTMENT SURCHARGE

The above charges are subject to a State Tax Adjustment Surcharge as set forth in the tariff.

ELECTIVE BALANCING SERVICES RIDER

Distribution service under this rate schedule shall be subject to the provisions of Rider EBS as set forth within this Tariff.

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

Rate SDS is subject to a Distribution System Improvement Charge as specified within Rider DSIC of this Tariff.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RATE SDS - SMALL DISTRIBUTION SERVICE (Continued)

APPLICABLE SALES SERVICE RATE

Customers under this Rate Schedule desiring to purchase gas shall be charged an amount for recovery of purchased gas costs as set forth in the Rules Applicable to Distribution Service plus the Distribution Charge contained in Rate SGSS - Small General Sales Service.

Provided, however, that sales service hereunder shall be considered imbalance gas as defined in the Consumption in Excess of Deliveries section in Paragraph 3 of the Rules Applicable to Distribution Service section of this Tariff. The Company undertakes no responsibility to obtain sufficient gas supplies to avoid interruption of sales service on a daily basis, and sales service is totally interruptible on any day when the Company gives notice to the customer that gas supply is inadequate to supply the customer's requirements, except to the extent the customer nominates Maximum Daily Firm Requirement under Rate SS.

The Company shall give the customer 2 hours advance notice of interruption. Customer agrees that Company shall not be liable for any loss or damage that may be sustained by the customer by reason of any interruption of service.

On any day when the Customer has been given notice by the Company to interrupt, any quantity of gas taken in excess of the quantity specified to be made available that day shall constitute unauthorized takes and shall be subject to the charges set forth in the Rules Applicable to Distribution Service. Payment of such penalty charge shall be in addition to the charges specified herein.

TERMS OF PAYMENT

Gas distributed hereunder shall be billed in accordance with the terms and conditions set forth in the customer's executed contract governing distribution service. Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill a delayed payment charge of one and one-quarter percent (1 1/4%) per billing cycle shall accrue on the portion of the bill that is unpaid on the due date.

(C)

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RATE LGSS - LARGE GENERAL SALES SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available at one location, for the total requirements of any commercial or industrial customer whose purchase requirements are in excess of 64,400 thm, and who does not contract for distribution service.

Customers who take service under this rate schedule are entitled to firm retail gas service from the Company.

RATE

The customers under this rate schedule shall be subject to a Customer Charge, a Gas Supply Charge, a Distribution Charge, a Gas Cost Adjustment and a Pass-through Charge.

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

DETERMINATION OF CUSTOMER CHARGE

The Customer Charge will be determined based upon the customer's actual throughput quantities, including sales and distribution if the customer previously contracted for distribution service, measured in therms (thm), for the twelve most recent billing cycles ending with the October billing cycle. If a customer does not have sufficient consumption history to determine its Customer Charge based on twelve months, the Customer Charge will be developed by annualizing the consumption history available. In the instance where a customer has no consumption history, the Company will request the customer to submit estimated annual gas requirements upon which to develop the Customer Charge. The Company, in all cases, retains the right to review and modify the customer's estimate where necessary. A customer's Customer Charge will remain constant annually, subject to change as of the January billing of each year. (C)

In all cases, the Company reserves the right to review the customer's Customer Charge, and upon receipt of satisfactory proof, to adjust the Customer Charge to reflect the installation and use of energy efficient gas burning equipment, or the implementation of energy conservation practices or measures, which result in a measurable permanent change in the customer's requirements or consumption.

(C) Indicates Change

RATE LGSS - LARGE GENERAL SALES SERVICE (Continued)

MINIMUM CHARGE

The minimum charge shall be the Customer Charge, except that in the event of curtailment in the delivery of gas by the Company or complete or partial suspension of operation by the customer due to strikes, fires, floods, explosions or other similar casualties, the Customer Charge shall be reduced in direct proportion to the ratio which the number of days of curtailed service or complete or partial suspension of operation bears to the number of days in the billing period.

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in this Tariff.

RIDER PGC

The Pass-through Charge and Gas Supply Charge include recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider as set forth in this Tariff.

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

Rate LGSS is subject to a Distribution System Improvement Charge as specified within Rider DSIC of this Tariff.

TERMS OF PAYMENT

Bills for sales service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than fifteen (15) days after presentation (date of postmark).

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 billing cycle will accrue on the portion of the bill that is unpaid on the due date.

(C)

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RATE LGSS - LARGE GENERAL SALES SERVICE (Continued)

SPECIAL PROVISIONS

1. The term of service shall be for a one (1) year period beginning November 1 of each year. Service hereunder shall be automatically renewed each year unless notice to discontinue service is given by the customer not less than sixty (60) days prior to November 1. Service commencing hereunder subsequent to the November billing cycle of any year shall be for the remainder of the twelve-month period ending with the October billing cycle and then placed on an annual basis. (C)

2. New customers, customers transferring to or from this rate schedule shall be permitted to take service under this Rate Schedule only if: (1) the Company can obtain any increase in its pipeline capacity with Columbia Gas Transmission Corporation under the FTS rate schedule or any successor rate schedule that is required to accommodate such transfer; or (2) the Company, in its sole judgment, concludes that no increase in the Company's pipeline capacity under Columbia Gas Transmission Corporation's FTS rate schedule or any successor rate schedule is required. The Company shall establish the date any transfer is to be effective.

3. Energy usage eligibility for this rate schedule shall be determined annually. In the event Customer's annual purchases are less than or equal to 64,400 thm, the customer shall be transferred to Rate SGSS.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RATE LDS - LARGE DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any commercial or industrial customer meeting all of the following conditions:

1. The Customer's annual throughput requirements, as determined under the Customer Charge provisions below, are in excess of 540,000 thm.
2. The Customer does not take service under any other rate schedule except Rate SS - Standby Service.

Service is available when such customer(s) acquires its own gas and executes a contract with the Company for a period of not less than one (1) year for Distribution Service in accordance with all terms and conditions of such contract.

Service under this rate schedule shall not be available to a single customer who is a Priority One Customer, as defined in the Service Limitations section of this tariff, unless such customer also contracts for firm service under Rate SS-Standby Service at a level necessary to meet the portion of daily and seasonal requirements of the facility not covered by installed operable alternative fuel capability.

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be considered firm service on the Company's system; provided, however, that it is the customer's obligation to deliver sufficient gas supplies to the mutually agreed upon receipt point in the Company's facilities.

A Large Distribution Service account may be returned to the applicable Sales Service rate if for a period of at least five (5) consecutive days in one billing cycle the Company,

- (1) has not received gas supply for the account;
- (2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and
- (3) the customer consumed gas on one or more days during such five (5) day period.

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RATE LDS - LARGE DISTRIBUTION SERVICE (Continued)

RATE

The customers under this rate schedule shall be subject to a Customer Charge, and a Distribution Charge.

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

The Customer Charge will be determined based upon the Customer's actual throughput quantities, including sales and distribution, measured in therms (thm), for the twelve most recent billing cycles ending with the October billing cycle. If a Customer does not have sufficient consumption history to determine its Customer Charge based on twelve months, the Customer Charge will be developed by annualizing the consumption history available. In the instance where a customer has no consumption history, the Company will request the Customer to submit estimated annual gas requirements, including sales and distribution, upon which to develop the Customer Charge. The Company in all cases retains the right to review and modify the Customer's estimate where necessary. A customer's Customer Charge will remain constant annually, subject to change with the January billing cycle of each year. (C)

In all cases, the Company reserves the right to review the Customer Charge and, upon receipt of satisfactory proof, to adjust the Customer Charge to reflect the installation and use of energy efficient gas burning equipment, or the implementation of energy conservation practices or measures, which results in a measurable permanent change in the customer's requirement or consumption.

The applicable Distribution Charge for all distribution quantities shall be determined based upon the Customer Charge group in which the Customer is placed, as established annually above.

The Distribution Charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff.

(C)

(C) Indicates Change

Issued:

**M. R. Kempic
President**

Effective:

RATE LDS - LARGE DISTRIBUTION SERVICE (Continued)

TERMS OF PAYMENT

Gas distributed hereunder shall be billed in accordance with the terms and conditions set forth in the customer's executed contract governing distribution service. Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill a delayed payment charge of one and one-quarter percent (1 1/4%) per billing cycle shall accrue on the portion of the bill that is unpaid on the due date.

(C)

SPECIAL PROVISIONS APPLICABLE TO ALL LDS CUSTOMERS

1. Customers desiring to transfer to or from this rate schedule will be allowed only if: (1) the Company can obtain any increase or decrease in its gas supplies, transportation capacity and storage capacity or any combination thereof that is required to accommodate such transfer; or (2) the Company, in its sole judgment concludes that no increase or decrease is required. The Company shall establish the date any transfer is to be effective.
2. In the event customer's throughput requirements, as determined annually under the Customer Charge provisions above, are less than or equal to 540,000 thm, the customer shall be transferred to Rate SDS - Small Distribution Service, effective the immediately succeeding January billing cycle.
3. Customers that request to be transferred to this rate schedule prior to the end of the Customer's existing contract under another rate schedule shall be required to contract for Maximum Daily Firm Requirement under Rate SS at the level of the Customer's Maximum Daily Firm Requirement, if any, under such existing contract.
4. The Company reserves the right, as a condition of service under this Rate Schedule, to require any customer requesting service under this rate schedule to install and bear the costs associated with a daily demand reading meter plus all costs associated with dedicated telephone lines and telemetering equipment, and such installation shall be at the expense of the customer, excluding the cost of the meter. The Company also reserves the right to require installation of such a meter, at the customer's expense, as a condition of continuation of service under this Rate Schedule. The meter and associated telemetering equipment shall be the property of the Company.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern where applicable, the supply of distribution service under this rate schedule.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RATE MLSS – MAIN LINE SALES SERVICE (Continued)

DETERMINATION OF CUSTOMER CHARGE

The Customer Charge will be determined based upon the customer's actual throughput quantities, including sales and distribution if the customer previously contracted for distribution service, measured in therms (thm), for the twelve most recent billing cycles ending with the October billing cycle. If a customer does not have sufficient consumption history to determine its Customer Charge based on twelve months, the Customer Charge will be developed by annualizing the consumption history available. In the instance where a customer has no consumption history, the Company will request the customer to submit estimated annual gas requirements, upon which to develop the Customer Charge. The Company in all cases retains the right to review and modify the customer's estimate where necessary. A customer's Customer Charge will remain constant annually, subject to change as of the January billing cycle of each year.

(C)

In all cases, the Company reserves the right to review the Customer Charge and, upon receipt of satisfactory proof, to adjust the Customer Charge to reflect the installation and use of energy efficient gas burning equipment, or the implementation of energy conservation practices or measures, which results in a measurable permanent change in the customer's requirement or consumption.

MINIMUM CHARGE

The minimum charge shall be the Customer Charge. In the event of curtailment in the delivery of gas by the Company or complete or partial suspension of operation by the customer due to strikes, fires, floods, explosions or other similar casualties, the Customer Charge shall be reduced in direct proportion to the ratio which the number of days of curtailed service or complete or partial suspension of operation bears to the number of days in the billing period.

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in the tariff.

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

Rate MLSS is subject to a Distribution System Improvement Charge as specified within Rider DSIC of this Tariff.

(C) Indicates Change

RATE MLSS – MAIN LINE SALES SERVICE (Continued)

RIDER PGC

The Pass-through Charge and Gas Supply Charge in this rate schedule include recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider as set forth in this Tariff.

TERMS OF PAYMENT

Bills for sales service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than fifteen (15) days after presentation (date of postmark).

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 billing cycle shall accrue on the portion of the bill that is unpaid on the due date. (C)

SPECIAL PROVISIONS APPLICABLE TO ALL MLSS CUSTOMERS

1. Customers desiring to transfer to or from this rate schedule must notify the Company in writing. Transfers to or from this rate schedule will be allowed only if: (1) the Company can obtain any increase or decrease in its gas supplies, pipeline capacity and storage capacity, or any combination thereof that is required to accommodate such change; or (2) the Company, in its sole judgment, concludes that no increase or decrease is required. The Company shall establish the date any transfer is to be effective.
2. The Company reserves the right, as a condition of service under this Rate Schedule, to require any customer requesting service under this rate schedule to install and bear the costs associated with a daily demand reading meter and such installation shall be at the expense of the customer, excluding the cost of the meter plus all costs associated with dedicated telephone lines and telemetering equipment. The Company also reserves the right to require installation of such a meter, at the customer's expense, as a condition of continuation of service under this Rate Schedule. The meter and associated telemetering equipment shall be the property of the Company.
3. Energy usage eligibility for this rate schedule shall be determined annually. In the event Customer's annual purchases are less than or equal to 274,000 thm, the customer shall be transferred to either Rate LGSS or Rate SGSS effective the immediately succeeding January billing cycle.
4. New customers and customers transferring to or from this Rate Schedule shall be permitted to take service under this Rate Schedule only if: (1) the Company can obtain any increase in its pipeline capacity with Columbia Gas Transmission Corporation under the FTS rate schedule or any successor rate schedule that is required to accommodate such transfer; or (2) the Company, in its sole judgment, concludes that no increase in the Company's pipeline capacity under Columbia Gas Transmission Corporation's FTS rate schedule or any successor rate schedule is required. The Company shall establish the date any transfer is to be effective.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RATE MLDS – MAIN LINE DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available at one location, for the total requirements of a commercial or industrial customer when the Customer meets either one of the following qualifications:

- (a) the Customer has annual throughput requirements greater than 274,000 thm and is connected directly through a dual-purpose meter to facilities of an Interstate pipeline supplier of the Company ("Class I MLDS Customer"); or
- (b) the Customer has annual throughput requirements of not less than 2,146,000 thm and there are two (2) miles or less of pipeline facilities of the Company connecting the Customer to facilities of an interstate pipeline supplier of the Company ("Class II MLDS Customer");

and meets all of the following conditions:

- (a) Customer does not take service under any other rate schedule except Rate SS – Standby Service.
- (b) Customer acquires its own gas and executes an application and agreement with the Company, as specified in the Rules Applicable to Distribution Service section of this Tariff, for a period of not less than one (1) year for distribution service in accordance with all terms and conditions of such contract.

Service under this rate schedule shall not be available to a single customer who is a Priority One Customer, as defined in the Service Limitations section of this Tariff, unless such customer also contracts for firm service under Rate SS – Standby Service at a level necessary to meet the portion of daily and seasonal requirements of the facility not covered by installed operable alternative fuel capability.

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be considered firm service on the Company's system; provided, however, that it is the customer's obligation to deliver sufficient gas supplies to the mutually agreed upon receipt point in the Company's facilities.

A Main Line Distribution Service account may be returned to the applicable Sales Service rate, if for a period of at least five (5) consecutive days in one billing cycle, the Company:

- (1) has not received gas supply for the account;
- (2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and
- (3) the customer consumed gas on one or more days during such five (5) day period.

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

(C)

RATE MLDS – MAIN LINE DISTRIBUTION SERVICE (Continued)

RATE

The customers under this rate schedule shall be subject to a Customer Charge, and a Distribution Charge.

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

The applicable Distribution Charge for all distribution quantities for MLDS Class II customers shall be determined based upon the Customer Charge group in which the Customer is placed, as established annually.

The Distribution Charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff.

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in the Tariff.

ELECTIVE BALANCING SERVICES RIDER

Distribution service under this rate schedule shall be subject to the provisions of Rider EBS as set forth in this Tariff.

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

Rate MLDS is subject to a Distribution System Improvement Charge as specified within Rider DSIC of this Tariff.

DETERMINATION OF CUSTOMER CHARGE

The Customer Charge will be determined based upon the customer's actual throughput quantities, including sales and distribution, measured in therms (thm), for the twelve most recent billing cycle periods ending with the October billing cycle. If a customer does not have sufficient consumption history to determine its Customer Charge based on twelve months, the Customer Charge will be developed by annualizing the consumption history available. In the instance where a customer has no consumption history, the Company will request the customer to submit estimated annual gas requirements, including sales and distribution, upon which to develop the Customer Charge. The Company in all cases retains the right to review and modify the customer's estimate where necessary. A customer's Customer Charge will remain constant annually, subject to change with the January billing cycle each year.

(C)

In all cases, the Company reserves the right to review the Customer Charge and, upon receipt of satisfactory proof, to adjust the Customer Charge to reflect the installation and use of energy efficient gas burning equipment, or the implementation of energy conservation practices or measures, which results in a measurable permanent change in the customer's requirement or consumption.

MINIMUM CHARGE

The minimum charge shall be the sum of (a) the Customer Charge; plus (b) purchased gas demand charges, if any, under Rate SS. In the event of curtailment in the delivery of gas by the Company below the Maximum Daily Firm Requirement of the Customer, if any, under Rate SS, or complete or partial suspension of operation by the customer due to strikes, fires, floods, explosions or other similar casualties, the Customer Charge shall be reduced in direct proportion to the ratio which the number of days of curtailed service or complete or partial suspension of operation bears to the number of days in the billing period.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RATE MLDS – MAIN LINE DISTRIBUTION SERVICE (Continued)

APPLICABLE SALES SERVICE RATE

Customers under this Rate Schedule desiring to purchase gas shall be charged an amount for recovery of purchased gas costs as set forth in the Rules Applicable to Distribution Service, plus the non-gas portion of distribution charges contained in the first block of Rate SGDS – Small General Distribution Service.

Provided, however, that sales service hereunder shall be considered imbalance gas as defined in the Consumption in Excess of Deliveries section in Paragraph 3 of the Rules Applicable to Distribution Service. The Company undertakes no responsibility to obtain sufficient gas supplies to avoid interruption of sales service on a daily basis, and service is totally interruptible on any day when the Company gives notice to the customer that gas supply is inadequate to supply the customer's requirements, except to the extent the customer nominates Maximum Daily Firm Requirement under Rate SS.

The Company shall give the customer 2 hours advance notice of interruption. Customer agrees that Company shall not be liable for any loss or damage that may be sustained by the customer by reason of any interruption of service.

On any day when the Customer has been given notice by the Company to interrupt, any quantity of gas taken in excess of the quantity specified to be made available that day shall constitute unauthorized takes and shall be subject to the charges set forth in the Rules Applicable to Distribution Service. Payment of such penalty charge shall be in addition to the charges specified above.

TERMS OF PAYMENT

Gas distributed hereunder shall be billed in accordance with the terms and conditions set forth in the customer's executed contract governing distribution service. Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill, a delayed payment charge of one and one-quarter percent (1 1/4%) per billing cycle shall accrue on the portion of the bill that is unpaid on the due date.

(C)

SPECIAL PROVISIONS APPLICABLE TO ALL MLDS CUSTOMERS

1. Within sixty (60) days of receipt of all necessary information requested by the Company, to evaluate a customer's application, the Company will respond to the application and agree either to supply service or to deny service on the grounds of insufficient capacity. If the Company refuses to provide distribution service under this rate schedule, the Company shall provide detailed support for its decision.
2. Customers desiring to transfer to or from this rate schedule must notify the Company in writing. Transfers to or from this rate schedule will be allowed only if: (1) the Company can obtain any increase or decrease in its gas supplies, transportation capacity and storage capacity, or any combination thereof that is required to accommodate such change; or (2) the Company, in its sole judgment, concludes that no increase or decrease is required. The Company shall establish the date any transfer is to be effective.

(C) Indicates Change

RATE NCS--NEGOTIATED CONTRACT SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any commercial or industrial customer, at the Company's discretion, who meets the following qualifications:

- (a) The customer is not presently served by the Company and has projected throughput requirements of not less than 21,460 thms annually, or is a current customer; and
- (b) The customer gives the Company satisfactory proof that, absent service under this rate schedule, the customer's facilities or operations would not be constructed in the Company's operating territory, or that, absent service under this rate schedule, customer would install long-term alternate fuel facilities.

Service under this rate schedule shall not be available to a single customer who is a Priority 1 Customer, as defined in the Service Limitations section of this tariff, unless such customer also contracts for firm service under Rate SS-Standby Service at a level necessary to meet the portion of daily and seasonal requirements of the facility not covered by installed operable alternative fuel capability.

CHARACTER OF SERVICE

Any qualified customer taking service under this rate schedule shall do so by agreement. This rate schedule shall provide a long-term negotiated contract with the customer, to the extent qualified by the Special Provisions of this tariff.

A Negotiated Contract Service account may be returned to the applicable Sales Service rate if for a period of at least five (5) consecutive days in one billing cycle the Company,

(C)

- (1) has not received gas supply for the account;
- (2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and
- (3) the customer consumed gas on one or more days during such five (5) day period.

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RATE NCS--NEGOTIATED CONTRACT SERVICE (Continued)

DISTRIBUTION CHARGE

The Distribution Charge per thm shall be:

- (a) The amount for recovery of non-gas costs, which shall be determined by negotiation between the Company and the customer.
- (b) Distribution service under this rate schedule shall be subject to the provisions of Rider EBS as set forth in this Tariff.

The non-gas portion of these distribution rates is subject to an escalation clause, as set forth in the customer's contract.

MINIMUM CHARGE

Customers served hereunder shall be subject to a minimum charge. Such charge will be determined individually for each customer served under this rate schedule and the amount shall be included in the customer's service agreement. The payment of such minimum charge does not relieve the customer from any minimum charge obligation applicable to service received by the customer under any of the Company's other rate schedules.

TERMS OF PAYMENT

The above rate is net. Gas distributed hereunder shall be billed in accordance with the terms and conditions set forth in the customer's executed contract. Bills for gas sales service and distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than fifteen (15) days after presentation (date of postmark).

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 billing cycle will accrue on the unpaid portion of such bill from the due date to the date of payment.

(C)

SPECIAL PROVISIONS

1. Customers shall not be permitted to combine usage with other customers in order to meet the eligibility provisions of this Tariff.
2. The customer shall be responsible to reimburse the Company as billed for any penalty or deficiency charge, however denominated by the Company's interstate pipeline suppliers, incurred by the Company as a result of excessive daily, seasonal or annual takes by the customer.
3. The Company may require that an existing customer agree to separate piping or sub-metering, or verification that additional load is the result of plant expansion.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RATE NSS - NEGOTIATED SALES SERVICE (Continued)

RATES - Continued

Customers receiving service under the energy usage nomination option shall be required to nominate quantities to be received under NSS service not less than 5 business days before each calendar month; provided, however, that, by mutual agreement between the Company and the customer, the nomination date may be set at an earlier date. The customer will be permitted to increase the nomination during the month on 24 hours notice; the customer must agree to pay the commodity cost of additional purchased gas made to accommodate the increased nominations.

2. No Nomination Option - Customers electing the no nomination option shall pay a negotiated rate per thm, which shall be no less than the sum of the following:
 - a. the applicable cost of gas, as determined below, plus
 - b. an E-Factor charge or credit, if applicable, plus
 - c. a negotiated margin, inclusive of amounts necessary to provide for Purchased Gas Cost credits as provided for in this rate.

The applicable cost of gas under the No Nomination Option shall be determined on a monthly basis and shall equal the average city gate commodity cost of gas purchases (excluding gas withdrawn from storage) scheduled to commence on the first day of each month, including transportation and retainage. The applicable cost of gas shall be excluded from the Purchased Gas Cost Rider.

3. Fixed Price Option - Customers electing the fixed price option shall, at the time of execution of their contract, nominate quantities to be taken during each billing cycle of the contract. The rate per thm per month shall be negotiated, but shall be no less than the sum of the following: (C)
 - a. the settled fixed price for natural gas, under a fixed price contract entered into by the Company with a gas supplier, as determined below, including transportation and retainage; plus
 - b. an E-Factor charge or credit, if applicable, plus
 - c. a negotiated margin, inclusive of amounts necessary to provide for applicable Purchased Gas Cost credits as provided for in this rate.

Contemporaneous with the Customer's execution of a contract under the fixed price option, the Company will enter into a fixed price contract for natural gas with a gas supplier. The contract will provide for quantities equal to the quantities nominated for each month of the Customer's contract. In the event the Company executes, in the same month, multiple contracts having the same term as the contract term of the NSS sale, the higher cost gas supply will be assigned to the NSS customer. The settled fixed price for gas hereunder shall be excluded from the Purchased Gas Cost Rider.

Effective July 7, 1998, if a customer transfers to this rate from another sales rate schedule of the Company, to which the Purchased Gas Cost rider applies, then for a period of twelve months, the commodity rate shall be adjusted to include the amount per thm equal to the "E-Factor" included in the then-applicable Purchased Gas Commodity Cost rate.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RATE NSS - NEGOTIATED SALES SERVICE (Continued)

CREDITS TO THE PURCHASED GAS COST RIDER

The Company shall credit as revenues for recovery of purchased gas costs, an amount equal to (1) the Rider EBS-Option 2 rates and (2) interstate pipeline capacity costs. The amount of the credit for interstate pipeline capacity costs shall be separately computed for each NSS contract and shall be equal to the greater of the following:

- a. Actual sales multiplied by the average rate per thm of all final accepted bids for thirty day recallable capacity received by Columbia five days prior to the commencement of each month of the contract; or
- b. Actual sales multiplied by \$.00465/thm in December, January and February; and \$.00093/thm in all other months.

For firm service not provided by Rate SS-Standby Service, the Company shall credit an additional amount for recovery of interstate pipeline capacity costs. The amount of the credit shall be separately computed for each firm NSS contract and shall be equal to the actual capacity costs incurred to acquire additional capacity, which was obtained, on either a short-term or long-term basis, in order to provide firm service to the customer on days when service otherwise would be interrupted.

For firm service provided by Rate SS-Standby Service, the credit for recovery of interstate pipeline capacity costs shall be computed in accordance with Rate SS.

SPECIAL PROVISIONS

1. The distribution non-gas margin component of sales under this rate schedule shall be no less than the otherwise-applicable distribution rate offered by Columbia to the customer.
2. Subject to the minimum pricing provisions set forth herein, the price and length of term for service under this rate schedule shall be established through negotiations between the Company and the customer. Provided, however, that no contract shall be entered into hereunder without the Company first posting, on Columbia Gas Transmission Corporation's Electronic Bulletin Board, thirty day recallable capacity.
3. If in any billing cycle the actual usage by the NSS customer is less than nominated quantities, the nominated quantities must be paid for by the customer and the quantity not taken will be subject to the provisions of Rider EBS. (C)
4. The Company shall schedule gas purchases sufficient to meet quantities nominated under this rate schedule each month.
5. On any day when a Customer electing interruptible service under this rate schedule has been given notice by the Company to interrupt, any quantity of gas taken in excess of the quantity specified to be made available that day shall constitute consumption in excess of deliveries and shall be subject to provisions of the Consumption in Excess of Deliveries section in Paragraph 3 of the RADS. Payment of the charges specified in the above mentioned paragraph shall be in addition to the charges specified in this rate schedule.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RATE NSS - NEGOTIATED SALES SERVICE (Continued)

SPECIAL PROVISIONS - Continued

6. The Company shall require any customer requesting service under this rate schedule to install and bear the costs associated with a daily demand reading meter plus all costs associated with any necessary dedicated telephone lines and telemetering equipment, and such installation shall be at the expense of the customer, excluding the cost of the meter. The meter and associated telemetering equipment shall be the property of the Company.
7. The Company agrees to retain the actual posted Electronic Bulletin Board notices utilized to determine the aforementioned capacity credit and agrees to provide a summary of the terms of release and prices paid for such release in its annual Section 1307(f) filing.
8. The Company shall include, with its annual Section 1307(f) filing, an identification of the cost of gas acquired to provide service to customers under this rate schedule.
9. The Company agrees to provide a report with its annual Section 1307(f) filing detailing the bases for any service provided under this rate schedule to customers with annual throughput requirements less than or equal to 64,400 thm.

STATE TAX ADJUSTMENT SURCHARGE

The above charges are subject to a State Tax Adjustment Surcharge as set forth in this Tariff.

TERMS OF PAYMENT

The above rates are net. Bills for gas service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than fifteen (15) days after presentation (date of postmark).

If the Customer fails to pay the full amount of any bill, a delayed payment charge of one and one-quarter percent (1 1/4%) per billing cycle shall accrue on the portion of the bill that is unpaid on the due date.

(C)

RULES AND REGULATIONS

Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

RATE SDSS - SUPPLIER DEFAULT SALES SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any commercial or industrial customer with annual throughput requirements greater than 6,440 thm, and whose natural gas supplier has defaulted according to the NGS Default provisions of the Rules Applicable to Distribution Service section of this Tariff, and who at the time of the default was receiving General Distribution Service under Rate SGDS – Small General Distribution Service, Rate SDS – Small Distribution Service, Rate LDS – Large Distribution Service, Rate MLDS – Main Line Distribution Service, Rate CDS – Cogeneration Distribution Service or Rate EGDS – Electric Generation Distribution Service. (C)

The Company may place Customers meeting the availability requirements on Rate SDSS automatically upon the first billing cycle following the default of the customer's natural gas supplier, unless the Customer notifies the Company that it does not desire to be served under Rate SDSS.

CHARACTER OF SERVICE

The Company shall provide interruptible Natural Gas Supply Service to customers taking Rate SDSS on a best efforts basis and customers served under Rate SDSS shall be considered Sales Service customers for purposes of administering provisions of the Company's Tariff. Nevertheless, the Company undertakes no responsibility to obtain sufficient gas supplies to avoid interruption on a daily basis, and service hereunder is totally interruptible on any day when the Company gives notice to the customer that gas supply is inadequate to supply the customer's requirements, except to the extent the customer nominates Maximum Daily Firm Requirement under Rate SS.

RATE

Customers served under Rate SDSS shall pay the applicable Customer Charge, Distribution Charge, Pass-through Charge, State Tax Adjustment Surcharge and any minimum charge under their former General Distribution Service rate schedule. Each customer served under Rate SDSS shall remain subject to the charges under the Service Option previously chosen under Rider EBS. Customers served under Rate SDSS shall not pay any charges under the Rules Applicable to Distribution Service section of the Tariff ("RADS"), nor shall they pay the Applicable Sales Service Rate contained in their former General Distribution Service rate schedule. Instead, Customers served under Rate SDSS shall pay a commodity charge which shall be the product of multiplying the rate per thm, determined as provided below, by the quantity of gas sold to the customer by the Company during the applicable billing month.

DETERMINATION OF COMMODITY RATE

A charge for commodity gas costs shall be determined by selecting the greater of: (1) the average of the highest "City Gate" price for deliveries for ten (10) consecutive days during the calendar month as published in Platts Gas Daily "Daily price survey" under the heading "Texas Eastern, M-3", or (2) the highest commodity cost of purchases by the Company during the calendar month, including the delivered cost of purchases at the city gate, if any, excluding any purchases under fixed price commodity contracts for which the price was determined more than thirty days before the beginning of the calendar month. The commodity gas cost shall be increased by a premium of 5% in order to determine the final applicable Gas Supply Charge.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RATE SDSS - SUPPLIER DEFAULT SALES SERVICE

CHARGE FOR UNAUTHORIZED TAKES AFTER NOTICE TO INTERRUPT

On any day when the Customer has been given notice by the Company to interrupt, any quantity of gas taken in excess of the quantity specified to be made available on that day shall constitute unauthorized takes and shall be subject to a penalty charge of \$2.79590 per thm. Payment of such penalty charge shall be in addition to the charges specified in this rate schedule.

TERMS OF PAYMENT

The above rates are net. Bills for gas service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill a delayed payment penalty charge of one and one-quarter percent (1¼%) per billing cycle will accrue on the portion of the bill that is unpaid on the due date.

(C)

SPECIAL PROVISIONS APPLICABLE TO ALL SDSS CUSTOMERS

1. In the event customer's throughput requirements, as determined annually under the Customer Charge provisions of this rate, fall below 6,440 thm, the customer shall be transferred to Rate SGSS – Small General Service Sales Service, effective the immediately succeeding January billing cycle.

2. The Company reserves the right, as a condition of service under this Rate Schedule, to require any customer requesting service under this rate schedule to install and bear the costs associated with a daily demand reading meter plus all costs associated with dedicated telephone lines and telemetering equipment, and such installation shall be at the expense of the customer, excluding the cost of the meter. The Company also reserves the right to require installation of such a meter, at the customer's expense, as a condition of continuation of service under this Rate Schedule. The meter and associated telemetering equipment shall be the property of the Company.

RULES AND REGULATIONS

Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RATE CDS - COGENERATION DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any customer who qualifies as a co-generator under Section 210 of the Public Utility Regulatory Policies Act of 1978 (PURPA). Customer must demonstrate to the Company's satisfaction that qualifying cogeneration gas burning equipment will be installed and only gas used for cogeneration will be billed at the rate negotiated under this rate schedule. Service is available when such customer acquires its own gas and executes a contract with the Company for distribution service in accordance with all terms and conditions of such contract. Separate metering and piping to qualifying end use equipment will be required.

Service under this rate schedule shall not be available to a customer who is a Priority 1 Customer, and is using gas to generate electricity for Essential Human Needs Use, (as defined in the Service Limitations of this tariff), unless the customer either purchases Standby Service or has an alternate fuel available to generate electricity to cover the electricity peak day requirement.

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be subject to termination at the Company's discretion based on its inability to deliver such natural gas. The Company may require 24-hour notice from customer of their desire to operate on any day and the Company may decline to serve a qualified distribution customer if, in the Company's sole discretion, continuation or initiation of distribution service will jeopardize the supply of gas to the Company's firm customers. If service is terminated under this schedule, the Company will attempt to provide service to a customer under an otherwise applicable rate schedule. In the event of termination, the Company will notify the customer as soon as possible.

A Cogeneration Distribution Service account may be returned to the applicable Sales Service rate, if for a period of at least five (5) consecutive days in one billing cycle, the Company:

(C)

- (1) has not received gas supply for the account;
- (2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and
- (3) the customer consumed gas on one or more days during such five (5) day period.

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

RATE

The rate charged qualifying customers in each billing cycle shall be the Distribution Charge and the Rider EBS rate, which shall be determined by negotiation between the customer and the Company. Such rates, which may be subject to an escalation clause, will be included in the customer's service agreement.

(C)

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RATE CDS - COGENERATION DISTRIBUTION SERVICE (Continued)

MINIMUM CHARGE

Customers served hereunder shall be subject to a minimum charge. Such charge will be determined individually for each customer served under this rate schedule and the amount shall be included in the customer's service agreement. The minimum charge will include the actual additional costs to the Company, if applicable, to connect a cogeneration customer. The payment of such minimum charge does not relieve the customer from any minimum charge obligation applicable to service received by the customer under any of the Company's other rate schedules.

TERMS OF PAYMENT

The above rate is net. Gas distributed hereunder shall be billed in accordance with the terms and conditions set forth in the customer's executed contract governing distribution service. Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill, a delayed payment charge of one and one-quarter percent (1 1/4%) per billing cycle shall accrue on the portion of the bill that is unpaid on the due date.

(C)

SPECIAL PROVISIONS

If a potential customer and the Company cannot agree to terms under this rate schedule, the customer may apply to be classified as a customer under any other rate schedule for which the customer would be eligible.

The Company may retain a reasonable allowance of the total quantity of gas distributed into its system for the customer's account for gas which is lost or unaccounted for in its operations. This allowance will be determined on the basis of an estimate of the lost and unaccounted to be experienced on the specific lines used to serve the customer.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of distribution service under this rate schedule.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RATE EGDS – ELECTRIC GENERATION DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any customer who uses gas to generate electricity for sale, either wholesale or retail; provided that such sale of electricity is subject to the regulatory jurisdiction of either the Pennsylvania Public Utility Commission or the Federal Energy Regulatory Commission. Service under this rate schedule is only available for gas distributed to serve generation requirements. Service is available when such customer acquires its own gas and executes a contract with the Company for distribution service in accordance with all terms and conditions of such contract.

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be subject to termination at the Company's discretion based on its inability to distribute such natural gas. The Company may decline to serve a qualified distribution customer if, in the Company's sole discretion, continuation or initiation of distribution service will jeopardize the supply of gas to the Company's firm customers. If service is terminated under this schedule, the Company will attempt to provide service to a customer under an otherwise applicable rate schedule. In the event of termination, the Company will notify the customer as soon as possible.

An Electric Generation Distribution Service account may be returned to the applicable Sales Service rate, if (C)
for a period of at least five (5) consecutive days in one billing cycle, the Company:

- (1) has not received gas supply for the account;
- (2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and
- (3) the customer consumed gas on one or more days during such five (5) day period.

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

RATE

The rate charged qualifying customers in each billing cycle shall be the Distribution Charge and the Rider EBS rate, which shall be determined by negotiation between the customer and the Company. Such rates, (C)
which may be subject to an escalation clause, will be included in the customer's service agreement.

MINIMUM CHARGE

Customers served hereunder shall be subject to a minimum charge. Such charge will be determined individually for each customer served under this rate schedule and the amount shall be included in the customer's service agreement. The minimum charge will include the actual additional costs to the Company, if applicable, to connect an electric generation customer. The payment of such minimum charge (C)
does not relieve the customer from any minimum charge obligation applicable to service received by the customer under any of the Company's other rate schedules.

(C) Indicates Change

**RATE EGDS – ELECTRIC GENERATION DISTRIBUTION
SERVICE (Continued)**

TERMS OF PAYMENT

The above rate is net. Gas distributed hereunder shall be billed in accordance with the terms and conditions set forth in the customer's executed contract governing distribution service. Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill, a delayed payment charge of one and one-quarter percent (1 1/4%) per billing cycle shall accrue on the portion of the bill that is unpaid on the due date.

(C)

SPECIAL PROVISIONS

If a potential customer and the Company cannot agree to terms under this rate schedule, the customer may apply to be classified as a customer under any other rate schedule for which the customer would be eligible.

The Company may retain a reasonable allowance of the total quantity of gas distributed into its system for the customer's account for gas which is lost or unaccounted for in its operations. This allowance will be determined on the basis of an estimate of the lost and unaccounted for to be experienced on the specific lines used to serve the customer.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of distribution service under this rate schedule.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RATE NGV - NATURAL GAS VEHICLE SERVICE (Continued)

RATES

Sales or Distribution service to an operator of a public fueling station, or to an owner/operator of a natural gas vehicle taking service at separately metered fueling facilities owned by the customer, shall be made pursuant to a contract for service under this rate schedule. The contract shall be for no less than a one-year period. The contract may provide for a negotiated customer charge and either a fixed commodity charge or a methodology for determining the commodity charge. The commodity charge shall take into account whether service is a firm sale, interruptible sale or distribution.

CREDITS FOR RECOVERY OF PURCHASED GAS COSTS

Where service hereunder is provided as a sale, the Company shall credit to the Purchased Gas Cost Rider amounts for recovery of purchased gas costs, dependent upon whether sales are firm or interruptible. The amount of the credit shall be as set forth in the Purchased Gas Cost Rider.

STATE TAX ADJUSTMENT SURCHARGE

The above charges are subject to a State Tax Adjustment Surcharge as set forth in this tariff.

TERMS OF PAYMENT

The above rates are net. Where service is pursuant to contract, bills for gas service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than fifteen (15) days after presentation (date of postmark).

If the Customer fails to pay the full amount of any bill, a delayed payment charge of one and one-quarter percent (1 ¼%) per billing cycle shall accrue on the portion of the bill that is unpaid on the due date. (C)

Bills for gas sold at a filling station operated by the Company shall be paid at the time of delivery.

RIDER EBS

Distribution service under this rate schedule shall be subject to the provisions of Rider EBS as set forth in this tariff.

APPLICABLE SALES SERVICE RATE

Distribution Customers under this Rate Schedule desiring to purchase gas shall be charged an amount for recovery of purchased gas costs set forth in the Rules Applicable to Distribution Service, plus the non-gas portion of distribution rates contained in the first block of Rate SGS - Small General Service.

Provided, however, that sales service hereunder shall be considered imbalance gas as defined in the Consumption in Excess of Deliveries section in Paragraph 3 of the Rules Applicable to Distribution Service. The Company undertakes no responsibility to obtain sufficient gas supplies to avoid interruption of sales service on a daily basis, and sales service is totally interruptible on any day when the Company gives notice to the customer that gas supply is inadequate to supply the customer's requirements, except to the extent the customer nominates Maximum Daily Firm Requirement under Rate SS.

(C) Indicates Change

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FOR FUTURE USE**

RATE SS - STANDBY SERVICE (Continued)

GAS SUPPLY RATE FOR PURCHASES

Quantities of gas purchased from the Company shall be charged an amount for recovery of purchased gas costs set forth in the Rules Applicable to Distribution Service plus the Distribution Charge set forth in Rate SGSS.

CHARGE FOR UNAUTHORIZED TAKES

On any day when the Customer has been given notice by the Company to interrupt, pursuant to provisions contained in the Customer's Primary Rate Schedule, any quantity of gas taken in excess of the Customer's Maximum Daily Firm Requirement for that day shall constitute unauthorized takes and shall be subject to the charges set forth under the Rules Applicable to Distribution Service.

STATE TAX ADJUSTMENT SURCHARGE

The Customer Charge and the Distribution Charge are subject to a State Tax Adjustment Surcharge as set forth in this Tariff.

TERM OF CONTRACT

Contracts for service hereunder shall be for not less than a one (1) year period. Contracts shall be automatically renewed at the end of the initial term for a one year period unless written notice to terminate is given by the Company or the customer not later than sixty days prior to expiration of the contract.

SPECIAL PROVISIONS

1. The Maximum Daily Firm Requirement of the customer will be contracted for by the Company from its supplier and no curtailments or interruptions of this gas are planned. However, in the event of emergencies, shortages of gas or force majeure causes, the Company reserves the right to curtail the Maximum Daily Firm Requirement of customer, without incurring any liability for any loss or damage that may be sustained by the customer by reason of any such interruptions. The Company will, however, adjust the applicable monthly Maximum Daily Firm Requirement charge, on a pro rata basis, for any curtailment in such Maximum Daily Firm Requirement except for instances where such curtailment is the result of failure by supplier to deliver its contractual commitment to the Company because of a gas supply shortage. Such adjustment shall be made by crediting the customer's applicable monthly bill with an amount equal to the appropriate unit monthly Daily Purchased Gas Demand charge per thm divided by the number of days in the billing cycle times the quantity of gas represented by the difference between the Maximum Daily Firm Requirement and the quantity of gas actually delivered on those days during the billing cycle when deliveries were curtailed below the Customer's Maximum Daily Firm Requirement. (C)
2. The Company reserves the right to require any customer requesting service under this rate schedule to install, as a condition of service under this Rate Schedule, a daily demand reading meter and such installation shall be at the expense of the customer, excluding the cost of the meter. The Company also reserves the right to require installation of such a meter, at the customer's expense, as a condition of continuation of service under this Rate Schedule. The meter and associated telemetering equipment shall be the property of the Company. (C)

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RATE DGDS - DISTRIBUTED GENERATION DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available, at one location, for the distribution requirements of any commercial or industrial customer using distributed generation equipment such as reciprocating engines, gas turbines, microturbines, and fuel cells used for electrical power generation. Service is available when such customer executes a contract with the Company for a period mutually agreed to between the Company and the customer for distribution service in accordance with all terms and conditions of such contract. Provided, that the Company's facilities are adequate to provide the requested service.

Service under this rate schedule shall not be available to a single customer who is a Priority 1 Customer, as defined in the Service Limitations section of this Tariff, unless such customer also contracts for firm service under Rate SS-Standby Service at a level necessary to meet the portion of daily and seasonal requirements of the facility not covered by installed operable alternative fuel capability.

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be subject to termination at the Company's discretion based on its inability to distribute such natural gas. The Company may decline to serve a qualified distribution customer if, in the Company's sole discretion, continuation or initiation of distribution service will jeopardize the supply of gas to the Company's firm customers. If service is terminated under this schedule, the Company will attempt to provide service to a customer under an otherwise applicable rate schedule. In the event of termination, the Company will notify the customer as soon as possible.

A Distributed Generation Distribution Service account may be returned to the applicable Sales Service rate if, for a period of at least five (5) consecutive days in one billing cycle, the Company:

- (1) has not received gas supply for the account;
- (2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and
- (3) the customer consumed gas on one or more days during such five (5) day period.

(C)

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

RATE

The customers under this rate schedule shall be subject to a Customer Charge and a Distribution Charge. The Distribution Charge may be subject to an escalation clause.

If a potential customer and the Company cannot agree to terms under this rate schedule, the customer may apply to be classified as a customer under any other rate schedule for which the customer would be eligible.

ELECTIVE BALANCING SERVICES RIDER

Distribution Service under this rate schedule may be subject to the provisions of Rider EBS as set forth in this Tariff.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RATE DGDS - DISTRIBUTED GENERATION DISTRIBUTION SERVICE (Continued)

MINIMUM CHARGE

Customers served hereunder may be subject to a minimum charge. Such charge will be negotiated individually for each customer served under this rate schedule and the amount shall be included in the customer's contract. The payment of such minimum charge does not relieve the customer from any minimum charge obligation applicable to service received by the customer under any of the Company's other rate schedules.

TERMS OF PAYMENT

Gas distributed hereunder shall be billed in accordance with the terms and conditions set forth in the customer's executed contract. Bills for gas distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than fifteen (15) days after presentation (date of postmark).

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 billing cycle will accrue on the unpaid portion of such bill from the due date to the date of payment. (C)

SPECIAL PROVISIONS

1. Service under this rate schedule shall be subject to the Rules Applicable to Distribution Service of this tariff.
2. The Company may require that an existing customer agree to separate piping or sub-metering.
3. The Company may retain a reasonable allowance of the total quantity of gas distributed into its system for the customer's account for gas which is lost or unaccounted for in its operations. This allowance will be determined on the basis of an estimate of the lost and unaccounted for to be experienced on the specific lines used to serve the customer.
4. The Company shall not be obligated to incur additional costs for additional or upgraded facilities necessary to provide distribution service under this rate schedule unless the customer requesting service thereof agrees to pay the costs of additional or upgraded facilities prior to the installation of service.
5. The Customer agrees to permit access to their facilities by employees or agents of the Company at all reasonable times for the purpose of determining that the operation of installed generation equipment and facilities is in compliance with all terms and conditions for service required under this rate schedule.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas and Rules Applicable to Distribution Service of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RIDER USP – UNIVERSAL SERVICE PLAN

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

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

CHARACTER OF RATE

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

RATE

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

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

CALCULATION OF RATE

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

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

CAP costs will be calculated to include the projected CAP Shortfall (the difference between the total calculated RSS bill excluding Rider CC and Rider USP and the CAP bill) based upon the current discounts at normalized annual quantities of the then-current CAP participants, the projected CAP Shortfall for projected customer additions to CAP during the period that the USP Rider rate will be in effect at the average discount of current CAP participants at normalized annual quantities, the projected CAP customer application costs, the projected CAP pre-program arrearages to be forgiven and written off during the next 12 months, any changes, including programming changes, resulting from the CAP Plus design, and any administrative costs associated with the CAP Pilot described in the settlement agreement in Docket No. R-2010-2215623.

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

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

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RIDER CC - CUSTOMER CHOICE

APPLICABILITY

This Rider has been established to recover costs related to providing Customer Choice to customers in Pennsylvania.

In addition to the charges provided in this Tariff, an amount shall be added to the otherwise applicable charge for each thm of sales quantities or distribution quantities distributed by the Company to Customers receiving service under Rate Schedules RSS, RDS, and SCD, SGSS, SGDS, and DGDS using less than or equal to 64,400 thm annually. (C)

RATE

The Rider CC rate will be included in the Pass-through Charge on the customer bill.

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

Customers enrolled in the Company's Customer Assistance Plan ("CAP") shall not be billed the Rider CC.

Further, the Company may reduce or eliminate the otherwise applicable charge to any Customer if it is reasonably necessary to do so to meet competition from an alternative fuel, including gas from another supplier of gas that has constructed, or could construct, facilities to deliver gas to the Customer without use of the Company's facilities. The Company will notify Customer of the applicable rate if lower than the applicable rate set forth above, four (4) days prior to the beginning of each billing cycle, unless the rate is the same as charged by the Company in the prior cycle. Such reduction or elimination of the charge shall be eliminated or reduced before any reduction is made to the other charges under this Tariff. (C)

(C) Indicates Change

Issued:

**M. R. Kempic
President**

Effective:

RIDER PGC - PURCHASED GAS COST

PROVISIONS FOR RECOVERY OF PURCHASED GAS COSTS

RIDER PGC APPLICABLE TO SALES SERVICE CUSTOMERS

Rates for each thm of gas supplied to sales customers subject to this Rider under the Rate RSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules shall include \$0.55316 per thm for recovery of purchased gas costs. This rate includes the commodity cost component (CC) of \$0.44388 per thm, the commodity "E" Factor component (CE) of \$0.00252 per thm, the demand cost component (DC) of \$0.12460 per thm, and the demand "E" Factor component of (\$0.01784) per thm.

RIDER PGC APPLICABLE TO SGDS PRIORITY ONE CUSTOMERS

Rates for each thm of gas distributed under the Rate SGDS rate schedules for Priority-One Service customers shall include \$0.10676 per thm for recovery of Purchased Gas Demand Costs (PGDC). This rate includes the DC of \$0.12460 per thm and the demand "E" Factor component of (\$0.01784) per thm.

RIDER PGC CHARGED TO CHOICE DISTRIBUTION SERVICE CUSTOMERS

Rates for each thm of gas distributed under Rate RDS, and Rate SCD shall include \$0.07996 per thm for recovery of Purchased Gas Demand Costs. This rate includes the DC of \$0.12460 per thm, the Capacity Assignment Factor (CAF) of (\$0.02680) per thm and the DC "E" Factor component of (\$0.01784) per thm. The CAF represents costs not assignable to Choice Distribution Service customers.

Such rates shall be increased or decreased, from time to time, as provided by Section 1307(f) of the Public Utility Code and the Commission's Regulations, to reflect changes in the level of purchased gas costs, as calculated in the manner set forth below.

PRESENTATION ON CUSTOMER BILLS

For sales service customers served under Rate RSS, Rate SGSS, Rate LGSS and Rate MLSS, the Pass-through Charge includes the PGDC of \$0.12460 per thm plus the demand "E" Factor of (\$0.01784) per thm. The two factors total \$0.10676 per thm. The Gas Supply Charge includes the PGCC of \$0.44388 per thm. The Gas Cost Adjustment is the commodity "E" Factor of \$0.00252 per thm.

For General Distribution Service customers served under Priority-One Rate SGDS, the Pass-through Charge includes the PGDC of \$0.12460 per thm and the demand "E" Factor component of (\$0.01784) per thm, totaling \$0.10676 per thm.

For Choice Distribution Service customers served under Rate RDS or Rate SCD, the Pass-through Charge includes the PGDC of \$0.12460 per thm, the CAF of (\$0.02680) per thm and the demand "E" Factor component of (\$0.01784) per thm, all of which total \$0.07996 per thm.

QUARTERLY UPDATES

The Company's rates for recovery of purchased gas costs are also subject to quarterly adjustments under procedures set forth in the Commission's regulations at 52.Pa. Code § 53.64 (i) (5). Such updates shall reflect, in addition to the provisions of the regulation, adjustments to the projected commodity cost of purchased gas based upon more current versions of the same sources of data and using the same methods to project the commodity cost of purchased gas approved by the Commission in the Company's most recent annual proceeding for recovery of purchased gas costs under section 1307(f) of the Public Utility Code.

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

Issued:

M. R. Kempic - President

Effective:

RIDER PGC - PURCHASED GAS COST (Continued)

COMPUTATION OF PURCHASED GAS COMMODITY COSTS PER THM

Purchased gas commodity costs, per thm, shall be computed to the nearest one-thousandth cent (0.001¢) in accordance with the formula set forth below:

$$PGCC = [(CC - CE) \div S]$$

Purchased gas commodity costs, so computed, shall be included in rates charged to customers for gas service under the Rate RSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules for twelve consecutive billing cycles beginning October 1 of each year unless such period is revised by the Commission. The amount of purchased gas commodity costs, per thm, will vary, if appropriate, based upon annual filings, by the Company, pursuant to Section 1307(f) of the Public Utility Code and such supplemental filings as may be required or be appropriate under Section 1307(f) of the Commission's Regulations adopted pursuant thereto. (C)

In computing purchased gas commodity costs per thm, pursuant to the formula above, the following definitions shall apply:

"PGCC" - purchased gas commodity costs determined to the nearest one-thousandth cent (0.001¢) to be included in rates for each thm of gas supplied under this Rider for the Rate RSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules.

"CC" - the estimated current commodity cost of gas, which shall be determined as follows:

1. for all types of purchased gas, the projected commodity cost for each purchase (adjusted for net current gas stored), for the projected period when rates will be in effect; plus
2. the arithmetic difference of (a) the projected book value of noncurrent gas at the beginning of the computation year minus (b) the projected book value of noncurrent gas at the end of the computation year; plus
3. any other purchased gas costs not defined as demand costs.

"CE" - experienced net overcollection or undercollection of purchased gas commodity costs.

Such experienced net overcollection or undercollection shall be determined for the most recent period permitted under law which shall begin with the month following the last month which was included in the previous over-under collection calculation reflected in rates.

Supplier refunds received that are specifically identifiable as refunds of commodity costs will be in the calculation of "CE" with interest added at the annual rate of six percent (6%) calculated from the month received to the effective month such refund is refunded. The period over which such refunds will be made shall be established by the Commission.

"S" - projected thm of gas to be billed to customers subject only to Rider PGC under the commodity charges of the Rate RSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules of this tariff during the period when rates will be in effect.

(C) Indicates Change

RIDER PGC - PURCHASED GAS COST (Continued)

COMPUTATION OF PURCHASED GAS DEMAND COSTS PER THM

For customers subject to this Rider, purchased gas demand costs, per thm, shall be computed to the nearest one-thousandth cent (0.001¢), in accordance with the formula set forth below:

$$PGDC = (DC - DE) \div S$$

Purchased gas demand costs, so computed, shall be included in rates charged to customers for gas service, pursuant to the Rate RSS, Rate RDS, Rate SGSS, Rate SCD, Rate LGSS, and Rate MLSS rate schedules, and Priority One SGDS Customers receiving distribution service, for the twelve consecutive billing cycles beginning October 1 of each year unless such period is revised by the Commission. The amount of purchased gas demand costs, per thm, will vary, if appropriate, based upon annual filings, by the Company, pursuant to Section 1307(f) of the Public Utility Code and such supplemental filings as may be required or be appropriate under Section 1307(f) of the Commission's regulations adopted pursuant thereto. (C)

In computing purchased gas demand costs, per thm, pursuant to the formula, above, the following definitions shall apply:

"PGDC" - purchased gas demand costs determined to the nearest one-thousandth cent (0.001¢) to be included in rates for each thm of gas supplied under the Rate RSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules of the tariff.

"DC" - the estimated current demand cost of gas, which shall be determined as follows:

1. for all types of purchased gas, the projected total demand charges from any interstate pipeline company or any source of gas supply purchased by the Company for the projected period when rates will be in effect; plus
2. the projected firm transportation reservation or standby service charges of any interstate or intrastate pipeline or supplier, excluding charges for transportation acquired for the purpose of providing the Full Balancing Service under Rider EBS – Option 1; plus
3. the projected charges for storage capacity of any interstate or intrastate pipeline supplier, excluding charges for storage capacity acquired for the purpose of providing the Full Balancing Service under Rider EBS – Option 1.

From the sum of items 1, 2 and 3 the following amount shall be deducted:

- a. the projected Maximum Daily Firm Requirement to be billed to all customers under Rate SS during the projected period times the rate per thm under the Maximum Daily Firm Requirement charge of Rate SS;
- b. the projected intra-cycle balancing service costs to be billed to customers electing Rider EBS - Option 2. (C)

"DE" - experienced net overcollection or undercollection of purchased gas demand costs.

Such experienced net overcollection or undercollection shall be determined for the most recent period permitted under law which shall begin with the month following the last month which was included in the previous over-undercollection calculation reflected in rates. "DE" shall be \$0 prior to October 1, 1996.

(C) Indicates Change

Issued:

M. R. Kempic
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RIDER PGC - PURCHASED GAS COST (Continued)

COMPUTATION OF PURCHASED GAS DEMAND COSTS PER THM – Continued

Supplier refunds that are not included in "CE" will be included in the calculation of "DE" with interest added at the annual rate of six percent (6%) calculated from the month received to the effective month such refund is refunded. The period over which such refunds will be made shall be established by the Commission.

"S" - projected thms of gas to be billed to customers under the distribution charges of the Rate RSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules plus the projected thm of gas to be distributed to customers under Rate RDS, Rate SCD and SGDS Priority One Distribution rate schedules of this Tariff during the period when rates will be in effect.

PROVISION OF PURCHASED GAS DEMAND COST CREDIT DUE TO CUSTOMERS ELECTING CHOICE DISTRIBUTION SERVICE – CAPACITY ASSIGNMENT FACTOR (CAF)

The Purchased Gas Demand Cost (PGDC) rate included in the Pass-through Charge billed to Choice Distribution Service customers served under Rate RDS, or Rate SCD shall be \$0.07996 per thm. Such rate shall be equal to the PGDC component of \$0.10676 per thm as calculated above, less the CAF of \$0.02680 per thm. The CAF shall be equal to the projected annual cost of assigned Firm Capacity less estimated annual storage commodity costs (storage injection, withdrawal, shrinkage and commodity transportation cost) with the net divided by the estimated, normalized annual usage of customers electing Choice Distribution Service. The CAF of \$0.02680 per thm representing costs not assignable to CHOICE customers shall be included in the Price-to-Compare.

DETERMINATION OF OVER/UNDERCOLLECTION OF GAS COSTS

Commodity E-factor

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

- (a) All experienced purchased gas commodity costs actually incurred by the Company to service customers pursuant to all rate schedules of this Tariff.

Experienced purchased gas commodity costs shall include, but not be limited to, the following:

- (1) payments to suppliers to accept assignment of capacity on interstate pipelines other than Columbia Gas Transmission Corporation to the extent permitted under the Rules Applicable to Distribution Service,
- (2) costs paid for employing futures, options and other risk management tools, including but not limited to, supplier related costs associated with the fixed price contracts or financial contracts utilized by the Company to lessen the impact of price volatility for PGC customers, and
- (3) the index price of gas purchased from distribution customers under the provisions of the Deliveries in Excess of Consumption section of Paragraph 3 of the Rules Applicable to Distribution Service.

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

Issued:

M. R. Kempic - President

Effective:

RIDER PGC - PURCHASED GAS COST (Continued)

DETERMINATION OF OVER/UNDERCOLLECTION OF GAS COSTS - Continued

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

Demand “E” Factor

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

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

(C) Indicates Change

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RIDER PGC - PURCHASED GAS COST (Continued)

DETERMINATION OF OVER/UNDERCOLLECTION OF GAS COSTS - Continued

Demand "E" Factor – Continued

- (4) credits received for capacity assigned pursuant to the Rules Applicable to Distribution Service; plus

Interest on over/under collection of gas costs shall be computed monthly at the appropriate rate provided for in Section 1307(f)(5) of the Public Utility Code from the month that the over or undercollection occurs to the effective month such over or undercollection is refunded.

ADJUSTMENT OF "E" FACTOR AMOUNTS

Each 1307(f) rate shall also provide for refund or recovery of amounts necessary to adjust for over or underrecoveries of "E" Factor amounts included in prior 1307(f) rates. In computing the amount to be included for over or undercollection of "E" Factor amounts, the amount recovered for "E" Factor amounts under the prior 1307(f) rate shall be determined by multiplying the applicable Distribution quantities billed under the Rate CAP, Rate RSS, Rate SGSS, Rate LGSS, Rate MLSS, Rate RDS, Priority One Rate SGDS, and Rate SCD rate schedules during the applicable 1307(f) period times the portion of the PGCC and the PGDC component that provides for recovery of "E" Factor amounts. (C)

SUPPLIER REFUNDS APPLICABLE TO RATE SS CUSTOMERS

Any supplier refunds received from Columbia Gas Transmission Corporation, which are specifically identified as refunds of Contract Demand charges made after March 31, 1992, shall be refunded pro rata to customers taking service during the applicable prior period(s) under Rate SS. All refunds shall include interest added at the annual rate of six percent (6%) calculated from the month received to the month the refund is made. Refunds shall be paid once each year, as soon as practicable following October 30 of each year, and shall include all applicable supplier refunds received by the Company during the preceding twelve-month period ended October 30.

SHARING OF OFF-SYSTEM SALES REVENUE

Following is the definition of gas cost for off-system sales program.

- (1) For sales in which a specific purchase is not made, the cost of gas will be defined as the daily average city gate commodity cost of the gas supplies purchased by the Company and flowing on the first of the month (WACCOG). For sales made upstream of the Company's city gate, the cost of transportation, including retainage, from the point of sale to the city gate will be subtracted from the WACCOG. This amount will be further adjusted to include applicable taxes, other than income taxes, and other costs.
- (2) For incremental sales in which a specific purchase is made, the cost of gas will be defined as the purchase price plus transportation costs, including retainage, taxes and other costs that have or will be incurred.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

RIDER GPC – GAS PROCUREMENT CHARGE

APPLICABILITY

Throughout the territory served under this Tariff.

This Rider shall be applicable to residential customers taking service under Rate Schedules RSS, and commercial or industrial customers taking service under Rate Schedules SGSS, LGSS and MLSS. The Rider will also be applicable to customers taking service on Rate Schedule CAP if an NGS is not currently providing natural gas to the CAP aggregation. (C)

CHARACTER OF RATE

The Rider GPC was established in compliance with the Pennsylvania Public Utility Commission's Revised Final Rulemaking in Docket No. L-2008-2069114 and is addressed in the PA Code Title 52, Chapter 62, §62.223.

The Gas Procurement Charge is a volumetric charge included in the Gas Supply Charge that reflects the Company's natural gas procurement costs.

The Rider identifies and removes the natural gas procurement costs from base rates and recovers the costs through the Gas Supply Charge on a revenue neutral basis.

RATE

The Rider GPC is a component of the Price-to-Compare and appears in the Gas Supply Charge Summary and the Price to Compare Summary pages of this Tariff.

The Rider GPC is not subject to reconciliation and will only be recalculated in a base rate case.

The Rider GPC rate is \$0.00695 per therm. (I)

(C) Indicates Change (I) Indicates Increase

Issued:

**M. R. Kempic
President**

Effective:

RIDER MFC – MERCHANT FUNCTION CHARGE

APPLICABILITY

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

(C)

CHARACTER OF RATE

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

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

RATE

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

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

Residential uncollectible expense ratio	1.5%
Non-residential uncollectible expense ratio	0.5%

(D)

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

CALCULATION OF RATE

The Rider MFC rate is calculated as follows:

$MFC = PGCC \times \text{the uncollectible expense ratio}$

where:

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

(C) Indicates Change (D) Indicates Decrease

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M. R. Kempic
President

Effective:

RIDER WNA – WEATHER NORMALIZATION ADJUSTMENT

A Weather Normalization Adjustment (WNA) shall be applied to bills of Residential customers under Rate Schedules RSS, RDS, and CAP, for the heating season October through May. The WNA shall commence with the first bill rendered for the October 2013 billing cycle and shall continue until a final Order is entered in the Company's first rate case filed after May 31, 2016. The WNA will be applied to October through May billing cycles and shall be calculated as follows:

(C)

$$\text{WNBT} = \text{BLMT} + [(\text{NHDD} / \text{AHDD}) \times (\text{AMT} - \text{BLMT})]$$

$$\text{WNAT} = \text{WNBT} - \text{AMT}$$

$$\text{WNA} = \text{WNAT} \times \text{Distribution Usage Charge}$$

- (a) Weather Normalized Billing Therms (WNBT) will be calculated as the Base Load Monthly Therms (BLMT) added to the product of the Normal Heating Degree Days (NHDD) divided by the Actual Heating Degree Days (AHDD) and the Actual Monthly Therms (AMT) less the Base Load Monthly Therms (BLMT).
- (b) Base Load Monthly Therms (BLMT) are established for each customer using the customer's actual average daily consumption from the billing system, measured in therms, for the two months with the lowest consumption per billing day for the three billing months of July, August and September. The average baseload per day information will be updated annually. If actual BLMT information is not available for the year, the Company will use the most recent available base load information for the premise. If no history is available, the Company shall use the overall base load average for the residential class reflected in the most recent rate case.
- (c) Normal Heating Degree Days (NHDD) shall be updated annually by September 1st using the same methodology established in the Company's most recent Rate Case. NHDD for any given day are based upon the 20 year average for the given day.
- (d) Actual Heating Degree Days (AHDD) are the actual experienced heating degree days for the billing cycle. The degree day data is provided by the National Oceanic and Atmospheric Administration (NOAA). Customers will be assigned to weather stations based on their geographic locations.
- (e) Actual Monthly Therms (AMT) are measured for each customer and billing cycle.
- (f) Actual Monthly Therms (AMT) will be subtracted from the Weather Normalized Billing Therms (WNBT) to compute the Weather Normalized Adjustment Therms (WNAT).
- (g) The WNAT is then multiplied by the residential Distribution Usage Charge to compute the WNA amount that will be charged or credited to each residential customer.
- (h) A 5% deadband shall be implemented. The WNA for a billing cycle will apply only if the AHDD for the billing cycle are lower than 95% or higher than 105% of the NHDD for the billing cycle. A billing adjustment will only occur if the variation of AHDD is lower than 95% or higher than 105% of the NHDD for an individual billing cycle.

(C) Indicates Change

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M. R. Kempic
President

Effective:

STATE TAX ADJUSTMENT SURCHARGE

There shall be added to the non-Purchased Gas Cost portion of charges for gas service under all of the Company's rate schedules contained in this Tariff unless otherwise specified below, a surcharge of 0.000% for service rendered on and after January 1, 2014. (D)

The above surcharge will be recomputed, using the elements prescribed by the Commission:

- (a) Whenever any of the tax rates used in calculation of the surcharge are changed;
- (b) Whenever the utility makes effective an increase or decrease in base rates, exclusive of Purchased Gas Cost rates and applicable Rider rates;
- (c) And by March 31, 1971 and every year thereafter.

The above new recomputation will be submitted to the Commission within ten (10) days after the occurrence of the event or date which occasioned such recomputation. If the recomputed surcharge is less than the one in effect the utility will, and if the recomputed surcharge is more than the one then in effect, the utility may, submit with such recomputation a tariff or supplement to reflect such recomputed surcharge, the effective date of which shall be ten (10) days after filing.

Any charges billed under Rate Schedules CDS, DGDS, EGDS or NCS or charges flexed in accordance with the Flexible Rate Provisions contained in Tariff Rule 20 shall not be subject to the State Tax Adjustment Surcharge. (C)

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

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M. R. Kempic
President

Effective:

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Rules Applicable to Distribution Service

1. DEFINITIONS

The following terms shall have the meanings indicated below:

- 1.1 "Account" shall mean all gas consumption which (1) is consumed by the same individual, governmental, or corporate entity, including subsidiaries and affiliates, and (2) occurs on property which is either contiguous or is separated by no more than the width of a public or private right of way. A single Account shall not include gas consumed by different tenants or other entities if the gas is distributed through separate Company meters, even if the charges for such distribution service are paid by a single landlord, property owner, or other entity.
- 1.2 "Adequacy" shall mean the delivery to an NGDC of sufficient quantities of natural gas so as to supply the requirements of retail gas customers, taking into account design peak and seasonal demands, as well as isolated market areas and system operation requirements and contingencies.
- 1.3 "Affiliated NGS" shall mean:
 - (i) An NGS engaging in marketing activities related to natural gas supply services by the marketing division or marketing operation of an NGDC.
 - (ii) The term does not include a utility's marketing department or division to the extent that it informs existing or prospective customers of the availability and price of the regulated sales service that utility furnishes in its role as supplier of last resort.
- 1.4 "Aggregation Agent" shall mean an NGS which serves as an agent for General Distribution Service Customers in Aggregation Nomination Groups or for Choice Service Customers in Choice Aggregation Nomination Groups.
- 1.5 "Aggregation Service Agreement" shall mean a contract between the NGS and the Company that specifies the terms and conditions for participation in Aggregation Service.
- 1.6 "Aggregation Nomination Group" shall mean a group of General Distribution Service Customers organized pursuant to the requirements of the General Distribution Aggregation Service paragraph of these Rules Applicable to Distribution Service.
- 1.7 "Aggregation" shall mean the process of combining customers for the purpose of administering, scheduling and nominating gas supplies as defined by the Limitation Where a Shipper has a Positive Bank or the Choice Aggregation Service paragraphs of these Rules Applicable to Distribution Service.
- 1.8 "Basic Services" shall mean services necessary for the physical delivery of natural gas to a retail customer, consisting of natural gas distribution services and Natural Gas Supply Services.
- 1.9 "Billing Cycle" shall mean the regularly recurring period from one meter reading or estimated meter reading, to the subsequent meter reading or estimated meter reading, upon which a customer bill for gas and distribution service, or distribution service, is rendered. A Billing Cycle need not coincide with calendar month. (C)

(C) Indicates Change

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President

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- 1.22 "Firm Service" with regard to Natural Gas Supply services shall mean the quality of Natural Gas Supply Service provided to the Customer in which gas shall be available at all times, even under adverse conditions. "Firm Service" with regard to Natural Gas Distribution Company services shall mean that the Company will distribute gas to the Customer on a firm basis during any day in which the Customer's gas is delivered by the Shipper to the Company at a Delivery Point in the same Company Local Market Area in which the Customer's facilities are located, as further defined in Paragraph 2.6 of these Rules Applicable to Distribution Service.
- 1.23 "FTS" shall mean firm transportation service provided by an interstate pipeline in which gas is transported on a firm basis from designated receipt points to designated delivery points.
- 1.24 "Gas" or "Natural Gas" or "Natural Gas Supply" or "Gas Supply" shall mean the hydrocarbon gas obtained from underground and undersea porous sedimentary rocks. In these Rules Applicable to Distribution Service these terms will refer to the commodity an NGS nominates and schedules for delivery to the Company for distribution. (C)
- 1.25 "General Distribution Aggregation Service" shall mean the aggregation of General Distribution Service Customers in a group for the purpose of administering gas purchase and supply.
- 1.26 "General Distribution Application and Agreement" shall mean the Application completed by a Customer who desires to begin taking General Distribution Service.
- 1.27 "General Distribution Service" and "GDS" shall mean Distribution service provided under rate schedules DGDS, CDS, EGDS, LDS, MLDS, NCS, SGDS , or SDS. (C)
- 1.28 "Historical Billing Data" shall mean the minimum of twelve (12) months of data as recorded by the Company, which contains usage data and dollar amount billed, unless 12 months of such data is not available.
- 1.29 "Initial NGS Application" shall mean the initial application that must be made to the Company by the NGS prior to providing either General Distribution Service or Choice Service.
- 1.30 "ITS" shall mean interruptible transportation service provided by an interstate pipeline, in which natural gas is transported on an interruptible basis.
- 1.31 "Local Market Area" shall mean a continuous, physically-interconnected system of Company-owned distribution piping through which the Company provides natural gas service to Customers in a discrete geographic area, utilizing one or more common Delivery Points from interstate pipeline supplier(s) or local gas supplier(s).
- 1.32 "Material Obligation" shall mean any obligation of the NGS under these Rules Applicable to Distribution Service, which if not fulfilled by the NGS, would impair the Customer's Natural Gas Supply Services or would impair the Company's ability to provide natural gas distribution services to its Customers.
- 1.33 "month" shall mean calendar month.

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- 2.5.3. Quality of Gas. It is the Customer Proxy's obligation to provide gas of suitable quality to the Company at the agreed upon delivery points. The quantity, pressure and time of delivery shall be agreed to by the Company and the Customer's Proxy in advance, prior to delivery of the natural gas supplies.
- 2.5.4 Additional Facilities. If additional facilities are required for the Company to provide the service, and such facilities are not required for the provision of Sales service, the Customer must pay, in full, for any additional facilities required to be constructed, and such payments shall not be subject to refund under any circumstances.
- 2.5.5 The Company is responsible for Customer service functions, including meter reading, installation, testing and maintenance, emergency response for all Customers, and complaint resolution and collections related to services provided by the Company. The Company shall be responsible for the physical connection and disconnection of distribution service, whether temporary or permanent, with or without the consent of the customer. PA. P.U.C. Docket No. M-00991249F003.

2.6 LIMITATIONS ON DISTRIBUTION SERVICE

- 2.6.1 Firm Service. Distribution service is a Firm Service on the Company distribution system. That is, the Company will distribute gas to the Customer on a firm basis during any day in which the Customer's gas is delivered by the Shipper to the Company at a Delivery Point in the same Company Local Market Area in which Customer's facilities are located, subject to the limitations set forth in the rate schedule(s) for Distribution service applicable to the Customer, the order of interruption priority set forth in the Priority-Based Curtailments section in Rule 2 of the Rules and Regulations of the Company's tariff and the System Integrity Measures and Procedures, and Seasonal Flow Orders sections in Paragraph 3, and Operational Flow Orders in Paragraph 4 of these Rules Applicable to Distribution Service and subject to the limitations set forth below. Contracted Standby Service quantities represent firm distribution service. (C)
- 2.6.2 Limitation for Failure of Shipper to Provide Gas to the Company in Customer's Local Market Area. (C)
 - 2.6.2.1 Consistent with the authority provided under the System Integrity Measures and Procedures, Operational Flow Orders, and Operational Matching Orders sections of Paragraph 3 and the Operational Flow Order section in Paragraph 4 of the Rules Applicable to Distribution Service (RADS), if on any day, one or more Shipper(s) fails to deliver sufficient gas supplies to meet its/their Customer's(s') estimated requirements on that day to a receipt point in the Local Market Area in which the Customer's(s') facilities are located, or the total gas supplies delivered into that Local Market Area on that day are insufficient to meet the estimated total requirements of all the Company's Customers in that Local Market Area on that day, the Company may issue Operational Flow Orders (OFOs) or Operational Matching Orders (OMOs) pursuant to the Operational Flow Orders and Operational Matching Orders sections in Paragraph 3 and the Operational Flow Orders section in Paragraph 4 of these RADS, and if further limitations should become necessary, the Company shall order the curtailment of consumption pursuant to the priorities established in the Priority Based Curtailments section of the Gas Emergency Rules in Rule 2 of the Rules and Regulations Governing the Distribution and Sale of Gas.

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2.9 EMERGENCY ALERTS (EAs)

2.9.1 If an unforeseen emergency situation arises which could threaten the continuous adequate delivery of natural gas to a Customer, the Company will provide the Customer Proxy with as much notice as is reasonably possible under the emergency situation. Such notice shall be made by the medium most reasonably expected to reach the Customer Proxy in a timely manner, including but not limited to: telephonic, e-mail, facsimile, Nomination EBB, or personal contact. In such notice, the Company will advise the Customer Proxy of the unforeseen emergency situation, and the Customer Proxy is expected to comply with the Company's requests.

2.10 LATE PAYMENT CHARGE

2.10.1 The Company shall bill the Customer Proxy on a monthly basis and all bills shall be due and payable within fifteen (15) days of the date the bill is postmarked. Any bill not paid by the due date shall be increased by one and one-quarter percent (1-1/4%) of the amount not timely paid each billing cycle.

(C)

2.11 CHARGES BY OTHER PIPELINES OR DISTRIBUTORS

2.11.1 If furnishing service, pursuant to the Customer's applicable Distribution rate schedule, required the Company to use a service provided other than by the Company, any cost incurred by, or billed to the Company, with regard thereto, shall be billed to the Customer Proxy.

2.11.2 The Customer Proxy shall also reimburse the Company for penalties assessed to the Company under the applicable rate schedule of a third party pipeline or Distributor as a result of daily excess consumption, daily excess tenders, excess monthly imbalances, banking imbalances or other factors set forth in such rate schedules.

2.12 RETAINAGE

2.12.1 The Company may retain a reasonable allowance of the total quantity of gas delivered into its system for the Customer's account, for gas which is lost or unaccounted for in the Company's operations.

2.12.2 The percentage retainage is as follows:

MLS Class I Customers - 0%

Customers served by excess pressure measuring stations - 1%

All other Customers - The system average lost and unaccounted for quantities, as determined annually and effective with the January cycle bills. The percentage will be calculated as the simple average of three annual retainage rates ending August 31 for the immediately preceding 3-year period, including company use gas and excluding quantities and retainage for MLSS and MLDS Class I accounts and accounts served by an excess pressure measuring station.

(C)

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2.13 RETROACTIVE PERIOD ADJUSTMENTS

When the Company becomes aware of an overstatement or understatement of consumption or nominations on a customer's account for a previous period, the Company will adjust the customer's and/or the Aggregation Agent's account using the rates that were in effect for the billing cycle being adjusted.

(C)

2.14 NGS DEFAULT

If the NGS breaches any Material Obligation it owes to the Company under its tariff, other than in instances of slamming, and fails to cure said breach within five business days after written notice from the Company, the Company shall have the right to prohibit the NGS from adding additional customers or to disqualify the NGS from operating on the Company's system entirely. Bankruptcy of the NGS is deemed to be an incident of default. In the event of an uncured breach, the Company may offset any and all amounts owed to it by the NGS against any and all amounts owed by the Company to the NGS, including without limitation, charges for imbalance gas sold by the Company, out of period adjustments to the NGS's account, amounts owed to the NGS for bank balances, and amounts owed to the Company for SFO, OFO, or OMO charges, etc. In the event a Choice NGS defaults and the Company is required to provide service to the NGS' customers at the rate which was contracted between the NGS and its customers (Section 2207 (K) of the Natural Gas Choice and Competition Act), the Company may also use any bank balance owed to the NGS to offset any incremental costs incurred by the Company in serving that NGS's customers. The Company reserves its rights to draw upon any bond or financial security instrument that may be required under the NGS Creditworthiness section in Paragraph 2 of the RADS and to pursue any and all damages it may incur as a result of a breach by the NGS.

2.15 NONLIABILITY OF COMPANY

The Company shall not be liable, under any circumstance or in any respect, to a Customer, to a producer of gas or to any other person or entity for damages arising either directly or indirectly from interruption, curtailment or termination of distribution service.

2.16 SPECIAL SERVICES

Any special services, facilities, instrumentalities or non-standard methodologies which may be rendered or furnished by the Company for an NGS at its request or at the direction of a governmental authority, and not provided for in the Company's Rules Applicable to Distribution Service shall be paid for by the NGS for whom such services, facilities, instrumentalities or non-standard methodologies are furnished, and such costs shall be in addition to the charges provided for in the Rules Applicable to Distribution Service or in addition to any deposit required in the Creditworthiness section of the Rules Applicable to Distribution Service of this tariff.

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or deny service. If the Company refuses to provide service under the requested rate schedule, the Company shall provide detailed support for its decision.

- 3.2.5 The NGS is not required to complete an application to provide General Distribution Service; provided that the Customer's NGS submitted an Initial NGS Application which was approved by the Company.

3.3 CHARACTER OF SERVICE TO BE RENDERED

- 3.3.1 The Company shall receive the quantities of gas supplied by the Shipper and shall redeliver said gas to Customer's facilities. For Customers who purchase 100% Standby Service, the Company will provide Firm Service up to the Customer's then current maximum daily quantity. For Priority One Customers, the Company will provide Firm Service.

- 3.3.2 Special Conditions for Customers with less than 100% Standby Service: (C)

- 3.3.2.1 Customers may request to take General Distribution Service with less than 100% Standby Service provided that the Customer agrees to the following conditions: (C)

3.3.2.1.1 Interruption of gas distribution may occur if the Shipper fails to deliver sufficient quantities of gas to the Company, including sufficient quantities to cover peak day usage, whether or not such failure is due to the fault of Shipper. Interruptions or limitations may be necessary during peak day conditions even if all of the Customer's gas has been delivered to the Company.

3.3.2.1.2 An interruption of gas deliveries may require or result in (1) the temporary closing of the Customer's facilities, (2) lost production, sales, or business, and (3) damage to Customer's physical facilities. The Customer assumes the risk of any such losses or damage. A failure of the Customer to interrupt after notification to the Customer Proxy by the Company may also subject the Customer Proxy to liability for fines or penalties incurred by the Company as a result of such failure.

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3.3.2.1.3 The Company has the right of access to the Customer's premises in order to read the meter(s), and, to the extent permitted by the Company's approved tariffs, the Company may require the installation of daily metering equipment and may require Customer to pay the associated costs, including: (1) the cost of the equipment, (2) the cost of installation, and (3) the cost of a telephone line to the meter. In certain instances, a dedicated telephone line may be required. The meter and any associated telemetering equipment shall remain the property of the Company.

3.3.2.1.4 In the General Distribution Application and Agreement, the Customer shall provide the Company with the names of two persons, along with their 24/7 contact numbers and e-mail addresses (if available), who are to be contacted in the event that interruption of gas service is required under this Paragraph.

3.3.3 A General Distribution Service account may be returned to the applicable Sales Service rate if for a period of at least five (5) consecutive days in one billing cycle the Company, (C)

- (1) has not received gas supply for the account;
- (2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and
- (3) the customer consumed gas on one or more days during such five (5) day period.

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

3.4 ORDER OF GAS THROUGH THE METER.

3.4.1 Gas through the Customer's meter during each billing cycle shall be considered to have come from the following sources, in order of priority: (C)

- 1. gas supplies which have reached the facilities of the Company on behalf of a Customer, including Customer-owned supplies.
- 2. The cumulative balance, if any, of excess deliveries in prior months.
- 3. Firm sales, if any, contracted by the Customer from the Company.
- 4. Imbalance gas provided by the Company as defined in Paragraph 3.11.1 of these Rules Applicable to Distribution Service.

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3.6 SEASONAL FLOW ORDERS (SFOs)

- 3.6.1 An SFO is a demand for specific actions on the part of Shippers that are serving GDS customers.
- 3.6.2 An SFO will be issued, to the extent possible, with a minimum of two business days notice to the affected parties.
- 3.6.3 The Company will have the authority to direct Customer Proxies to direct their Shippers to adjust daily scheduled quantities to a specified level (the SFO Level). The SFO Level may be necessary to restrict under-deliveries or over-deliveries as the Company deems appropriate.
 - 3.6.3.1 For Customers without daily measuring devices, and for Customers that have elected to be governed as an OFO customer pursuant to the provisions of the Operational Matching Orders section of this Paragraph, the SFO Level will be determined by the Company based upon the Company's projection of usage by GDS customers during the period. Issuance of an SFO shall not prohibit issuance of an OFO/OMO if conditions warrant. To meet the daily SFO level, the Shipper may use gas quantities which are: 1) scheduled and delivered on that day to the Company in the same Pipeline Scheduling Point in which the Shipper's customer(s)'s facilities are located; 2) contracted for under Rate SS – Standby Service; 3) available on that day pursuant to the Rider EBS-Option 1; or 4) additional quantities that may be made available by the Company at its sole discretion including quantities delivered to a Local Market Area other than the Local Market Area where the Customer is located in accordance with Paragraph 2 of the RADS .
 - 3.6.3.2 For Customers with daily measuring devices, the Company shall have the authority to direct Customer Proxies to direct their Shippers to adjust Customer's daily consumption quantities or daily scheduled deliveries in order that daily scheduled deliveries (the SFO Level) match Customer's consumption. In order to determine the SFO Level the Company will include quantities: 1) scheduled and delivered on that day to the Company in the same Pipeline Scheduling Point in which the Shipper's customer(s)'s facilities are located; 2) contracted for under Rate SS – Standby Service; 3) available on that day pursuant to the Rider EBS-Option 1; or 4) additional quantities that may be made available to the Shipper by the Company at its sole discretion including quantities delivered to a Local Market Area other than the Local Market Area where the Customer is located in accordance with Paragraph 2 of the RADS.
- 3.6.4 At the end of the normal billing cycle, the Company shall calculate the deliveries that the Shipper was required to deliver each day during the SFO as provided in the Seasonal Flow Order section in Paragraph 2 of the RADS. When a difference between the daily SFO Level and actual daily quantities available to meet the SFO Level exists, the following charges will be assessed on the difference: (C)
 - (1) If a Shipper under-delivers during an SFO that restricts under-deliveries, the charge for under-deliveries shall be calculated using the gas supply index identified in the Consumption in Excess of Deliveries section in Paragraph 3 of the RADS. The "Adjustment to Index Price" shall be the adjustment shown in the following table:

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

- (1) Two dollars and thirty-three cents per thm on the difference, except however, the \$2.33 will not be assessed if the difference results from the Shipper delivering more than the Daily OMO Level during an OMO that restricts under-deliveries, or from the Shipper delivering less than the Daily OMO Level during an OMO that restricts over-deliveries, and (C)
- (2) Payment of all other charges incurred by the Company on the date of the OMO that result from the Shipper's failure to comply with the OMO, including a proportionate share of any pipeline penalties that are incurred by the Company.

3.9 LIMITATIONS ON NOMINATIONS

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

3.10 LIMITATIONS UPON EXCESS DELIVERIES

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

3.11 CONSUMPTION IN EXCESS OF DELIVERIES

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

(C) Indicates Change

3.12 DELIVERIES IN EXCESS OF CONSUMPTION

- 3.12.1 If, in any billing cycle, the Customer's consumption, plus retainage on the distribution system is less than the sum of: (a) the quantity of gas delivered to the Company's City Gate by the Shipper for the Customer's account during the billing cycle, minus (b) if the Customer Proxy subscribes to Rider EBS-Option 1, increases in the Customer Proxy's positive bank as permitted under EBS-Option 1, plus (c) bank transfers performed for the billing cycle, then such deliveries shall be considered imbalance gas purchased by the Company from the Customer Proxy. (C)
- 3.12.2 For Customer Proxies electing Rider EBS-Option 1 or Rider EBS-Option 2, the index price of such imbalance gas shall be determined by selecting the lower of: (1) the average of the lowest City Gate price for deliveries to Columbia Gas for ten (10) consecutive days during the calendar month as published in Platts Gas Daily "Daily price survey" under the heading "Texas Eastern, M-3", or (2) the lowest commodity cost of purchases by the Company during the calendar month, including the delivered cost of purchases at the City Gate, if any excluding any purchases under fixed price commodity contracts for which the price was determined more than thirty (30) days before the beginning of the calendar month.
- 3.12.3 After the index price of gas is determined pursuant to this Paragraph, it shall then be adjusted by the percentages shown in following table to reflect the degree to which deliveries exceeds consumption. The Company shall calculate the Customer Proxy's payment for imbalance gas by determining the quantities of imbalance gas purchased from the Customer Proxy in each of the four tiers of the table, multiplying the quantities purchased in each tier by the corresponding factor shown in the table.

Ratio of Over-Deliveries to Consumption	Adjustment to Index Price
0.00% - 5.00%	95%
5.01% - 10.00%	90%
10.01% - 15.00%	80%
15.01% and over	70%

During an SFO, the foregoing table shall be replaced by the table in the Seasonal Flow Order section in this Paragraph 3 of the RADS.

- 3.12.4 The Customer Proxy also shall be subject to any applicable penalty under the Operational Flow Order and Operational Matching Order sections in this Paragraph 3 of the RADS in the event that such sale occurs during the existence of an OFO or OMO condition.
- 3.12.5 The purchase of imbalance gas pursuant to this Paragraph shall not relieve the Customer Proxy of any applicable penalty resulting from the delivery of those quantities.

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3.13 LIMITATION WHERE A CUSTOMER PROXY HAS A POSITIVE BANK

- 3.13.1 The drawdown of a positive bank is not a firm Distribution service, except as provided in Rider EBS-Option 1. Customer Proxies electing Rider EBS-Option 1 shall have firm access to positive banks as specified in Rider EBS-Option 1. For Customer Proxies electing Rider EBS-Option 2, the existence of a positive intra-cycle bank shall not prevent limitation of service to a Customer Proxy pursuant to the Limitations on Distribution Service section in Paragraph 2 of these Rules Applicable to Distribution Service, and drawdowns of positive banks may be prohibited whenever, in the Company's sole judgment, such prohibition is necessary to ensure that sufficient gas supplies are available to meet the daily or seasonal requirements of firm sales service Customers, or the balancing requirements of Choice Service Customers. (C)

3.14 FLOW ORDER MANAGEMENT SERVICE

- 3.14.1 The Flow Order Management Service shall be available to Customers using more than 540,000 thm per year served under Rate LDS – Large Distribution Service and Rate MLDS – Main Line Distribution Service that are not otherwise in an aggregation group. The service will allow the GDS Customers using more than 540,000 thm per year located in the same Pipeline Scheduling Point either to group together themselves, or to nominate an NGS agent which shall group the customers together. Upon formation of such group, each member's compliance with a flow order shall be determined based upon the sum of the scheduled deliveries and the daily requirements of the group. (C)
- 3.14.2 During an SFO, OFO or OMO, if the group, as a whole, has scheduled adequate deliveries to comply with the SFO, OFO or OMO, then no penalties shall be assessed to any member of the group, regardless of whether that particular member complied with the SFO, OFO or OMO.
- 3.14.3 During an SFO, OFO or OMO, if the group, as a whole, has not scheduled adequate deliveries to comply with the SFO, OFO or OMO, then a penalty shall be calculated based upon the group's overall non-compliance with the SFO, OFO or OMO. The total penalty shall be divided by the number of members in the group, and that amount shall be billed to each member.
- 3.14.4 The Flow Order Management Service shall be made available for a fee of \$.00093 per thm. A signed agreement must be completed prior to August 15th of the year in which the Flow Order Management Service is to commence. Customers must subscribe to the Flow Order Management Service for an entire year, beginning in November.

3.15 GENERAL DISTRIBUTION AGGREGATION SERVICE

This service is for any NGS that has been elected to serve as an Aggregation Agent by a General Distribution Customer, to be primarily responsible for delivering natural gas to the Company's City Gate on behalf of the Customer. The Aggregation Agent will be responsible, on an aggregate basis, for scheduling and nominating gas, for banking and balancing, receiving notices on behalf of the Customer, and for all other activities associated with the provision of the Natural Gas Supply Services.

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- 3.15.1.8 The Company will provide the actual usage data for each Customer in that Aggregation Agent's Aggregation Nomination Group. The actual usage data provided will be for the Customer's most recent billing period as Customers are billed by the Company for Rates SGS-DS, SDS, LDS and MLS.
- 3.15.1.9 The Aggregation Agent's distribution quantities shall be determined from the Company's "Monthly Summary Billing Report." The "Monthly Summary Billing Report" reflects Customer's actual billed distribution quantities as reported to the Aggregation Agent, as generated within the Company's revenue reporting system.
- 3.15.2 Aggregation Service Under Rider EBS
- 3.15.2.1 The Aggregation Agent will be allowed to aggregate all participating individual Customer's quantities and any applicable bank tolerances for the purposes of administering Rider EBS.
- 3.15.2.2 Should a Customer, either by itself or through its Aggregation Agent terminate its General Distribution Aggregation Service, or its General Distribution Service, no portion of the aggregate bank will be assigned to the Customer. Should all the Customers in an Aggregation Nomination Group, either by themselves or through their Aggregation Agent, terminate their General Distribution Aggregation Service or their General Distribution Service, and the Aggregation Agent has no other Aggregation Nomination Group to transfer the bank of gas, then the bank may be purchased by the Company at a price determined in accordance with the Deliveries in Excess of Consumption paragraph of these Rules Applicable to Distribution Service. (C)
- 3.15.2.3 At the close of each business month, an accounting will be made comparing the total quantities delivered into the Aggregation Nomination Group versus the consumption of the Customers within the Aggregation Nomination Group. For Nomination Aggregation Groups comprised of customers electing Rider EBS-Option 1 or Rider EBS-Option 2, the accounting shall compare the Nomination Aggregation Group's total monthly deliveries to its total monthly consumption. (C)
- 3.15.2.4 Should the total consumption of the Nomination Aggregation Group exceed its total deliveries, adjusted for unaccounted-for gas and appropriate Customer's Btu adjustments, plus for Nomination Aggregation Groups comprised of customers electing Rider EBS-Option 1, any bank of gas from the previous month, the Aggregation Agent shall be charged an amount for recovery of purchased gas costs as set forth in the Consumption in Excess of Deliveries paragraph of these Rules Applicable to Distribution Service plus the non-gas portion of commodity rates contained in the first block of Rate SGS - Small General Service. (C)

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4. RULES APPLICABLE ONLY TO CHOICE SERVICE

4.1 This Paragraph applies to all Choice Service on the Company's system.

4.2 AVAILABILITY

Choice Service is available to any Customer or group of Customers served under Rate RDS - Residential Distribution Service and Rate SCD - Small Commercial Distribution when:

(C)

- 4.2.1 An NGS has one or more Choice Aggregation Nomination Group(s) with an aggregate annual demand of at least 53,650 thms or a minimum of 50 Customers, and which is in compliance with the Choice Aggregation Provisions of this Paragraph 4;
- 4.2.2 The Customer's NGS agrees to take capacity as set forth in the "Capacity Requirements" Paragraph of these Rules Applicable to Distribution Service;
- 4.2.3 The Company has sufficient Storage to provide daily banking and balancing activity, and if capacity is to be assigned, the Company has sufficient upstream capacity, with appropriate upstream interconnections to the Company's City Gate to provide the NGS's primary firm transportation contract quantities;
- 4.2.4 The existing capacity of the Company's facilities and other physical conditions are sufficient to deliver the quantities required by all of the NGS's Choice Aggregation Nomination Groups; and
- 4.2.5 The NGS has acquired, or has agreed to acquire, an adequate supply of natural gas, which must be firm supply for the months of November through March, and which must be of a quality acceptable to the Company, including allowances for any retention required by the applicable upstream transporters and for delivery service lost and unaccounted-for gas to be retained by the Company and other transporters, and has made, or has caused to be made, arrangements by which such gas supply can be transported directly to the Company's system in the Local Market Area in which the Customer is located, unless otherwise permitted by the Company in writing. The NGS is required to acquire the necessary firm supply to serve the Choice Daily Delivery Requirement for each of its Choice Aggregation Nomination Groups for the months of November through March.
- 4.2.6 An NGSs agrees to refer to the Commission's guidelines on Customer Information Disclosure, Docket No. M-00991249F0005, for requirements related to NGS disclosure of the terms of service, marketing, advertising and sales practices, and privacy of customer information.

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4.5 CUSTOMER INFORMATION

- 4.5.1 The NGS List. The Company will maintain a list of the licensed NGSs including appropriate contact information as provided by the NGS, which have also met the Company's requirements. This list will be made available to Customers upon request.
- 4.5.2 Requests for Information. The Company will respond to reasonable requests for efficiency information by providing materials or directing inquiries to the PUC. Customers served under Rate Schedules RSS, RDS, SCD or SGSS, upon request from the Customer, are entitled to receive free of charge once per year, Historical Billing Data and charges which are readily available in the billing system, provided the Company reads the Customer's meter for billing purposes. The Historical Billing Data will be provided in terms of thms. The Company shall notify consumers via bill message that information on energy efficiency and Historical Billing Data is available upon request. PA. P.U.C. Docket No. M-00991249F0005. (C)
- 4.5.3 Choice-Eligible Customer List (ECL). In accordance with the Commission's Final Order Issuing Interim Guidelines for Natural Gas Distribution Company ECLs at Docket No. M-2012-2324075, the Company will make available an electronic ECL of Choice-eligible customers to NGSs that have been licensed by the Commission and approved by the Company to provide Choice service on Columbia's system. The ECL will contain only the information of Choice-eligible customers who have not restricted the release of their private information as detailed in the Privacy of Customer Information paragraph. (C)
- 4.5.3.1 The ECL will include the following data elements:
- a. Customer Account Number
 - b. Customer Name
 - c. Service Address
 - d. Billing Address
 - e. Tariff Rate Class and Schedule
 - f. Rate Subclass/Rate Subcode
 - g. Meter Read Cycle
 - h. SOLR/Shopping Status (Y or N)
 - i. Monthly Consumption (each of 12 months)

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4.5 CUSTOMER INFORMATION - continued

- 4.5.3.2 The ECL will be available at the following website: columbiasuppliers.com, and updated monthly. (C)
- 4.5.3.3 Every three years the Company will re-solicit all Choice-eligible customers regarding their option to restrict some or all of their information for the purpose of creating a new and refreshed ECL. Customers who previously restricted their information are required to reaffirm their election at this time.
- 4.5.4 Privacy of Customer Information. The Company may release private Customer information to third parties, such as NGSs participating in the Company's Choice program, only after informing each Customer via bill insert of its intent to release such information. The Company will notify customers of the option to limit or restrict their private information by: (C)
- 4.5.4.1 Bill Insert. At least once each year, the Company will include an insert in every customer bill. In addition, each new customer will receive the bill insert in their initial bill. (C)
- The bill insert notifies customers: 1) how the customer account and usage information will be used; 2) how to opt-out of the ECL; 3) what their opt-out choice means; and 4) that they may change preferences either by first class mail or via electronic or telephonic means. (C)
- 4.5.4.2 Triennial Letter. Every three years the Company will mail a letter to the mailing address of every Choice-eligible customer that provides customers with the information contained in the bill insert above, and notifies customers who have previously limited or restricted their information that they must renew that request in order to retain a restricted status of their account information. (C)
- 4.5.4.3 Customer Request to Restrict Information. Customers may restrict information according to one of the following two restriction options: 1) restrict the release of only the customer's historical usage data; or 2) restrict the release of all private customer information including name, billing address, service address, rate class, rate schedule, account number, meter reading cycle, shopping status, and historical usage. (C)
- Each customer may notify the Company of their desire to restrict the release of private information by one of the following options: 1) fill in the necessary information on the form included on the back of the bill insert or included with the triennial letter, and return the form with the regular monthly payment or separately mail to the Company; 2) send a letter to the Company; 3) call the Customer Satisfaction Center at 1-888-460-4332; 4) use the Company's webpage that explains the ECL and options; or 5) e-mail the request to cpacustserv@nisource.com. (C)
- Customers may request to restrict the release of information at any time and the Company shall then honor that request until the next triennial refresh, when the customer must reaffirm their election.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

4.7.4 Aggregation Imbalances

- 4.7.4.1 There shall be an annual reconciliation and cash-out of the difference between the actual consumption of each Choice Aggregation Nomination Group and the NGS's deliveries on behalf of each Choice Aggregation Nomination Group. The reconciliation and cash-out amount shall be calculated annually following each July billing cycle. For any aggregation imbalances, the Company shall pay or bill the NGS for differences in quantities at a rate equal to the weighted average commodity cost of gas billed by the Company during that same twelve month period ("Cash Out"). (C)
- 4.7.4.2 If the actual consumption of the Choice Aggregation Nomination Group is more than the NGS's deliveries on behalf of that group, the NGS must purchase the deficient quantity from the Company at the weighted average commodity cost of gas, defined as the quotient of: (1) the total commodity cost of gas purchases, including transmission pipeline transportation and fuel retention, as recorded on the Company's financial statements for the twelve months ending the preceding June 30, divided by (2) tariff sales for the same twelve month period. (C)
- 4.7.4.3 Likewise, if the actual consumption of the Choice Aggregation Nomination Group is less than the NGS's deliveries on behalf of that group, the Company shall purchase the excess quantity from the NGS at the same price described above. (C)
- 4.7.4.4 In the event that an NGS's Choice Aggregation Nomination Group decreases by 10% or 1,000 Customers, the Company may elect to Cash Out that NGS at such time. The purchase or sale price of the difference between the actual consumption of the Choice Aggregation Nomination Group and the NGS's deliveries on behalf of that Choice Aggregation Nomination Group shall be the weighted average commodity cost of gas, defined as the quotient of: (1) the total commodity cost of gas purchases, including transmission pipeline transportation and fuel retention, as recorded on the Company's financial statements between the preceding July 1 and the month in which the Cash Out occurs, divided by (2) tariff sales for the same period.
- 4.7.5 Assignment. The NGS shall only assign the Choice Customer Group to another NGS with the prior written consent of the Company. The Company shall not unreasonably withhold its consent; however, the Company may condition the assignment upon the fulfillment of reasonable requirements including but not limited to: a demonstration that the agreement between the NGS and the Customer allows an assignment or that the customer had otherwise consented to the assignment; requiring the assignee to take assignment of any gas bank balance existing at the time of the assignment; or requiring the assignee to take assignment of any financial obligation existing at the time of the assignment.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

4.8 CAPACITY REQUIREMENTS

- 4.8.1 Firm Capacity Requirement. The NGS shall utilize Primary FTS in its provision of services to the Customers. Each NGS shall hold capacity in an amount equal to or greater than the Choice Primary FTS Daily Capacity Requirement for each Choice Aggregation Nomination Group.
- 4.8.2 Primary FTS Capacity Assignment. The NGS must accept the assignment or release of Primary FTS capacity from the Company except as provided in the capacity assignment section below.
- 4.8.3 Capacity Assignment. The NGS must accept the assignment or release on a recallable basis at maximum rates of the Company's Primary FTS capacity in a quantity equal to the Choice Primary FTS Daily Capacity Requirement for each Choice Aggregation Nomination Group unless the Company has Additional Capacity Resource Requirements (ACRR) as described below.

The Company reserves the right to adjust capacity assignments on an as-needed basis as Customers are removed from the Choice Service; however, all capacity shall be assigned or released for one year periods. The Company shall provide written notification to the NGS in advance of such capacity adjustment.

(C) Indicates Change

Issued:

M. R. Kempic
President

Effective:

Appendix D

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos. R-2014-2406274
Office of Consumer Advocate	:	C-2014-2413419
Office of Small Business Advocate	:	C-2014-2417238
Columbia Industrial Intervenors	:	C-2014-2418801
Ronald Vanetta	:	C-2014-2416868
John S. Smith	:	C-2014-2416873
Peter Kaczmarek	:	C-2014-2422692
James G. Reedy	:	C-2014-2422693
G. Thomas Smeltzer	:	C-2014-2429053
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc.	:	

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

TO ADMINISTRATIVE LAW JUDGE MARK A. HOYER:

I. INTRODUCTION

Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”) hereby submits this Statement in Support of the Joint Petition for Settlement (“Settlement”) entered into by Columbia, the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Columbia Industrial Intervenors (“CII”), Dominion Retail, Inc. (“Dominion”), Shipley Energy Company (“Shipley”), Interstate Gas Supply, Inc. (“IGS”),¹ The Pennsylvania State University (“PSU”), and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”) (hereinafter collectively referred to as the “Joint

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

Petitioners” or “Parties”), parties to the above-captioned proceedings. Columbia respectfully requests that Administrative Law Judge Mark A. Hoyer (the “ALJ”) recommend approval of, and the Commission approve, the Settlement, including the terms and conditions thereof, without modification.

The Settlement, if approved, will resolve all issues raised by the Joint Petitioners in this proceeding. The settled issues include revenue requirement, revenue allocation, rate design, the universal service program, and natural gas supplier issues. The Settlement is in the best interest of Columbia, its customers, and the Joint Petitioners, and is in the public interest. Accordingly, it should be approved.

The Settlement was achieved only after a comprehensive investigation of Columbia’s claims and operations. In addition to informal discovery, Columbia responded to over 430 formal discovery requests (many of which had multiple subparts). The active parties filed multiple rounds of testimony and accompanying exhibits, including Columbia’s direct, rebuttal, surrebuttal and rejoinder testimony, and other parties’ direct, rebuttal and surrebuttal testimony. Moreover, the active parties participated in numerous settlement discussions and formal negotiations, which ultimately led to the Settlement.

Finally, the active parties in this proceeding, and their counsel and experts, have considerable experience in rate proceedings. Their knowledge, experience, and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong foundation upon which to build a consensus on the settled issues. All of the active parties to this proceeding were active parties in Columbia’s last base rate proceeding, and were therefore familiar with many of the issues that are addressed in this case.

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

II. SPECIFIC SETTLEMENT TERMS

A. REVENUE REQUIREMENT

The Settlement provides for rates to be designed to produce an increase in operating revenues of \$32.5 million, exclusive of an additional amount of \$250,000 to be recovered under Columbia's Rider Universal Service Plan ("Rider USP") (see section II.D of this Statement in Support), based upon a pro forma throughput level of 80,000,000 Dth for the twelve months ended December 31, 2015. (Settlement ¶ 18.) The \$32.5 million increase in tariff rates will go into effect on December 20, 2014, which is the effective date of rates under the Commission's April 23, 2014 suspension order. (Settlement ¶ 27.) The Settlement increase is approximately 60% of Columbia's original request of \$54.1 million. (Columbia Exhibit 102, Sch. 3, p. 5.) The \$32.5 million increase, although less than that requested by the Company, will enable the Company to continue to provide safe and reliable service to its customers.

As explained by Mark R. Kempic, President of Columbia, one primary reason in support of the revenue increase is to provide the Company with an opportunity to earn a return on the significant capital investments made to its distribution system. (Columbia Statement No. 1, pp. 5-7.) Columbia has made, and continues to make, unprecedented and substantial capital investments in its system. (Columbia Statement No. 1, pp. 6-9.) Indeed, since Columbia started its accelerated pipeline replacement program in 2007, Columbia has replaced nearly 570 miles of cast iron and bare steel ("CIBS") pipe. (Columbia Statement No. 1, pp. 6-9.) As detailed in the direct testimony of Columbia

witness Danny G. Cote, Columbia's capital budgets for age and condition replacement of CIBS are \$141 million in 2013, \$145 million in 2014, and \$104 million in 2015, plus an additional \$45.5 million in capital spending in 2015 targeting the replacement of pre-1971 transmission facilities. (Columbia Statement No. 7, pp. 19-20.) Based on these expenditures, Columbia expects to eliminate approximately 464,000 feet of CIBS pipe in 2014, and approximately 485,000 feet in 2015. (Columbia Statement No. 7, p. 14.) These amounts reflect a substantial increase to actual investments in cast iron and bare steel replacement over Columbia's historic experience between 2002 and 2005. (Columbia Statement No. 7, p. 14.)

In addition to capital costs associated with Columbia's accelerated pipeline replacement effort, the Company is incurring operating and maintenance costs associated with enhancing pipeline safety on its system. These costs further contribute to the level of the revenue increase in this case. (Columbia Statement No. 7, pp. 32-39.) These programs include: the continued acceleration for the repair rate of open Type-2 leaks; increasing damage prevention measures; increasing the use of camera-based technology to identify any cross-bore conflicts; deploying GPS technology to identify the location of all facilities on Columbia's system, as well as developing bar-code scanning technology to identify facilities; and developing a formal and robust employee training and qualification program to address distribution integrity management plan ("DIMP") and system risks, which will include more classroom time and, where appropriate, require hands on demonstrations of necessary skills to ensure employee and contractor competency. (Columbia Statement No. 7, pp. 33-35.)

In addition, in order to provide ongoing information concerning Columbia's capital investments, Columbia has agreed that it will provide the Commission's Bureau

of Technical Utility Services (“TUS”), I&E, OCA and OSBA with an update to Columbia Exhibit No. 108, Schedule 1, which will include actual capital expenditures, plant additions, and retirements by month for the twelve months ending December 31, 2014. (Settlement ¶ 25.) On or before April 1, 2016, Columbia will update Exhibit No. 108, Schedule 1 for the twelve months ending December 31, 2015. (Settlement ¶ 25.) Also, as part of the Company’s next base rate proceeding, the Company will prepare a comparison of its actual expenses and rate base additions for the twelve months ended December 31, 2015 to its projections in this case. However, and as described more fully below, it is recognized by the Joint Petitioners that this is a black box settlement that is a compromise of Joint Petitioners’ positions on various issues.

In this proceeding, Columbia, I&E and OCA presented testimony on Columbia’s overall revenue requirement and related issues. The Settlement revenue increase of \$32.5 million reflects a reasonable compromise of Joint Petitioners’ positions in this proceeding. The amount of the increase falls within the range of outcomes bounded by Columbia’s proposed increase and the revenue requirements contained in the direct testimonies of I&E and OCA. Columbia notes that in its rebuttal testimony, it took issue with virtually all of the proposed adjustments advanced by I&E and OCA. The Joint Petitioners, while supporting their revenue requirement positions for litigation purposes, recognized that the Commission likely would have accepted certain adjustments proposed by Joint Petitioners, but would not have accepted all of the adjustments.

Under the Settlement, with only a few select exceptions further explained herein, the settlement revenue requirement is a “black box” amount. Under a “black box” settlement, parties do not specifically identify revenues and expenses that are allowed or

disallowed. Columbia believes that “black box” settlements facilitate agreements, as parties are not required to identify a specific return on equity or identify specific revenues and/or expenses that are allowed or disallowed.

Given the entire Settlement, Columbia believes that the revenue requirement is reasonable and will provide the Company with the additional revenues that are necessary to provide reliable service to customers. In addition, Columbia believes that the Settlement appropriately balances the need of the Company to have an opportunity to earn a reasonable rate of return with its customers’ need for reasonable rates.

1. Distribution System Improvement Charge (“DSIC”)

The Commission approved Columbia’s DSIC by Order entered May 22, 2014, at Docket No. P-2012-2338282.² With the DSIC, plant additions not included in base rates may be reflected in the DSIC calculation. Therefore, for future DSIC purposes, it is necessary to establish relevant plant balances for the Company out of this proceeding. The Settlement provides that following the effective date of rates in this proceeding, Columbia will be eligible to include plant additions in the DSIC once eligible account balances exceed the levels projected by Columbia at December 31, 2015. (Settlement ¶ 19.) The Joint Petitioners agree that this provision is included solely for purposes of calculating the DSIC, and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a fully-projected future test year filing.

2. Tax Repair Allowance and Mixed Service Cost Normalization Treatment

In 2008, Columbia sought and obtained permission from the Internal Revenue Service to change its definition of “unit of property” for tax purposes. This enabled

² The Order has been appealed by the OCA.

Columbia to deduct certain expenditures on its tax return rather than capitalize them and resulted in a tax refund of \$37,487,634 for Columbia's customers. As agreed in the settlement of Columbia's 2010 rate case at Docket No. R-2009-2149262, a refund of the \$37,487,634 is being made to customers, which reflects the cash benefit received in 2009 for the tax year 2008 method change. (Columbia Statement No. 10, p. 4.) As of November 30, 2013, a total of \$31,012,712 was amortized and an additional \$4,430,208 is being amortized through the period ended December 31, 2014. (Columbia Statement No. 10, p. 4.) As explained by Columbia Witness Fischer, beginning on January 1, 2015, this case reflects the remaining \$2,044,714. (Columbia Statement No. 10, p. 4.)

Under the Settlement, Columbia will continue to use normalization accounting with respect to the benefits of the tax repairs deduction. In addition, with regard to the \$37.4 million tax refund previously received by Columbia that is attributable to the change in method for the repairs deduction, the remaining amount of \$2,044,714 million shall be amortized over 18 months commencing January 1, 2015. (Settlement ¶ 20.) Consistent with prior settlements, the amortization will be without interest and without a deduction of the unamortized balance from rate base. The Settlement also continues prior agreements that subsequent changes in the refund amount, above or below the \$37.4 million, shall be reflected in accumulated deferred income taxes to be created under the normalization method of accounting. (Settlement ¶ 20.)

The Joint Petitioners have also agreed that Columbia will continue to use normalization accounting with respect to the tax treatment of Internal Revenue Code Section 263A mixed service costs ("MSC"). (Settlement ¶ 21.) This is similar to the treatment of book versus tax time differences for the repairs deduction. (Columbia Statement No. 10, p. 4.) This treatment was established in the settlement of Columbia's

2012 rate case at Docket No. R-2012-2321748, and the Parties have agreed to allow such treatment to continue.

3. Amortizations

The Settlement in Columbia's 2012 rate case established an amortization for costs associated with the NiSource NiFiT project.³ The Company was permitted to defer, over a four year period, non-company labor start-up costs of new financial software totaling \$1,738,714. (Columbia Statement No. 4, p. 23.) Since the last base rate proceeding, the total amount for non-labor O&M increased to \$2,681,220. In order to address the increase in the total amount identified by Columbia, the Company proposed that a new unamortized amount of \$2,029,202 be amortized over five years. (Columbia Statement No. 4, p. 43.) No party disputed the Company's inclusion of this amortization amount in its rate filing. As a result, the Settlement includes amortization of \$2,029,202 for NiFit costs over a five-year period commencing January 1, 2015. (Settlement ¶ 22(i).)

The Settlement specifies the continued amortization of costs related to Blackhawk Storage. This amortization was established in Columbia's 2008 rate case settlement at Docket No. R-2008-2011621 and will continue. (Settlement ¶ 22(ii).) No party objected to the Company's inclusion of this amortization amount in its rate filing.

As noted in the preceding section of this Statement in Support, Columbia is currently amortizing a \$37.4 million tax refund received as a result of the tax repair allowance change. The Joint Petitioners have agreed to amortize the remaining refund in the amount of \$2,044,714 over eighteen months commencing on January 1, 2015. (Settlement ¶ 22(iii).)

³ NiFiT is a project designed to upgrade financial processes and information systems across all of the NiSource companies, including Columbia.

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

The Settlement includes provisions concerning accounting for Columbia’s ongoing contributions to trusts for OPEBs which were established in the settlement of Columbia’s 2012 base rate case at Docket No. R-2012-2321748. (Columbia Statement No. 4, pp. 37-38.) Columbia will continue to defer the difference between the annual OPEB expense calculated pursuant to FASB Accounting Standards Codification (“ASC”) 715, “Compensation – Retirement Benefits” (SFAS No. 106) and the annual OPEB expense allowance in rates of \$0. Only those amounts attributable to operation and maintenance would be deferred and recognized as a regulatory asset or liability. To the extent the cumulative balance recorded commencing with the effective date of rates reflects a regulatory asset, such amount will be collected from customers in the next rate proceeding over a period to be determined in that rate proceeding. In addition, to the extent the cumulative balance recorded commencing with the effective date of rates reflects a regulatory liability, there will be no amortization of the (non-cash) negative expense, and the cumulative balance will continue to be maintained. (Settlement ¶ 23.) The Settlement provides that Columbia will deposit amounts in the OPEB trusts when the cumulative gross annual accruals calculated by its actuary pursuant to ASC 715 are greater than \$0. If annual amounts deposited into OPEB trusts, pursuant to this Settlement, exceed allowable income tax deduction limits, any income taxes paid will be recorded as negative deferred income taxes, to be added to rate base in future proceedings. (Settlement ¶ 24.)

Pursuant to the Opinion and Order entered on May 24, 2012, at Docket No. P-2011-2275383, Columbia deferred, for accounting and financial reporting purposes, the one-time expense of \$903,131 associated with its allocated share of NiSource Corporate

Services Company's ("NCSC") OPEB regulatory asset resulting from NCSC's transition from cash basis to accrual. In the settlement of the last Columbia base rate case at Docket No. R-2012-2321748, Columbia was allowed to recover the total deferred amount of \$903,131 over a ten-year period. This Settlement continues the ten-year amortization established in the prior rate proceeding. (Settlement ¶ 22 (iv).)

In the settlement of Columbia's 2012 rate case, Columbia agreed to an amortization of a deferred OPEB refund in the total amount of \$607,393. The estimated remaining balance of that refund amount at January 1, 2015 is \$(343,925). (Columbia Statement No. 4, pp. 21, 41.) Under the Settlement, the Joint Petitioners have agreed that rates will reflect the eighteen month amortization of the deferred OPEB balance of \$(343,925). (Settlement ¶ 22(v).)

B. REVENUE ALLOCATION AND RATE DESIGN

Appendices "A" and "B" to the Settlement set forth the agreed to revenue allocation and rate design to the classes, respectively. (Settlement ¶ 30.) As described below, these items were the subject of extensive litigation and negotiation, and reflect a compromise of the positions of all the Parties to this proceeding. The Settlement strikes a balance that is in the best interest of all of Columbia's customers, and should be approved.

1. Revenue Allocation

As in many base rate cases, the revenue allocation issues were among the most contentious issues in this proceeding. The Joint Petitioners proposed a variety of class cost of service studies and cost allocation methodologies. Moreover, even to the extent certain Joint Petitioners agreed on the basic overall methodology, *i.e.* the Design Day demand allocation versus the Peak & Average methodology, these Joint Petitioners still

disagreed on how to allocate certain other costs to the different rate classes, as well as how much movement toward cost of service was appropriate. Despite the fact that the Joint Petitioners were not able to agree on a specific class “cost of service” in the Settlement, they were able to agree to a revenue allocation that is within the range of revenue allocations proposed by the Joint Petitioners in this proceeding, and Columbia believes that this revenue allocation meets the “cost of service” standards adopted by the Courts and the Commission.

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

Customer Group	As Filed⁴ (000s)	Percentage of Proposed Increase⁵	As Settled (000s)	Percentage of Settled Increase
Residential	\$41,012	74.98%	\$24,410	75.11%
Small General Service (SGS/SGDS/SCD)	\$9,880	18.26%	\$5,200	16.00%
Medium Sales Service (SDS)	\$511	0.93%	\$1,174	3.61%
Large Sales Service (LGS)	\$299	0.55%	\$215	0.66%
Large Transportation Service (LDS)	\$2,885	5.28%	\$1,500	4.62%
Total	\$54,100	100%	\$32,500	100%

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

⁴ Columbia Statement No. 3, p. 21.

⁵ Columbia Statement No. 3, p. 21.

2. Rate Design

a. Residential Rate Design

One issue in this proceeding concerned the pro forma throughput volume to be reflected for the residential class. I&E and OCA proposed a higher level of average use per residential customer than proposed by Columbia. (I&E Statement No. 3, p. 30; OCA Statement No. 1, pp. 11-14; Columbia Statement No. 102-R, pp. 2-9.) The Settlement reflects a compromise of the issue, and rates are designed to reflect total pro forma throughput of 80,000,000 Dth for the Fully Projected Future Test Year (“FPFTY”). (Settlement ¶ 18; Settlement Appendix “B”.)

In this proceeding, Columbia proposed to increase the customer charges for residential customers from \$16.75 to \$22.50. (Columbia Statement No. 3, p. 23.) This increase was opposed by OCA and I&E. (OCA Statement No. 3, pp. 30-32; I&E Statement No. 3, p. 46.) As part of the Settlement, the Joint Petitioners have agreed that the Residential customer charge will remain at the current rate of \$16.75/month. (Settlement ¶ 28.)

b. Commercial and Industrial Rate Design

In this proceeding Columbia proposed to increase the customer charges for small commercial and industrial customers. Specifically, Columbia proposed to increase the customer charge for customers under Rates Small General Sales Service (“SGSS”), Small Commercial Distribution (“SCD”), and Small General Distribution Service (“SGDS”) using up to 6,440 therms annually to \$27.75. (Columbia Statement No. 3, p. 27.) In addition, the Company proposed that the customer charge for customers under these rate schedules that use more than 6,440 therms annually be increased to \$42. (Columbia Statement No. 3, p. 27.) The OSBA objected to the proposed increase to the

customer charge for customers under Rates SGSS, SCD, and SGDS using up to 6,440 therms annually. (OSBA Statement No. 1, pp. 19-20.) Instead, the OSBA recommended that the customer charge for these customers be adjusted to \$21.25. (OSBA Statement No. 1, p. 20.) Under the Settlement, the Joint Petitioners have agreed that the customer charge shall be \$21.25 per month for customers under Rates SGSS, SCD, and SGDS using up to 6,440 therms annually. (Settlement ¶ 29.)

In addition, under the Settlement, the Joint Petitioners have agreed that the customer charge for customers under Rates SGSS, SCD, and SGDS using over 6,440 therms up to 64,400 therms annually shall be \$48 per month. (Settlement ¶ 29.) This is consistent with the OSBA's proposal in its direct testimony. (OSBA Statement No. 1, p. 20.) This reflects a reduction from Columbia's original proposal, which is associated with the Settlement reached relative to the Company's revenue requirement.

In this proceeding, Columbia initially proposed a 5.28% rate increase for Large Distribution Service ("LDS"). (Columbia Statement No. 3, p. 27.) Columbia's proposed customer charges for the LGS and SDS customers in this proceeding made them consistent with the LDS rate schedule. (Columbia Statement No. 3, p. 21.) Witnesses for CII and PSU testified that the LDS rate increase, as proposed, was burdensome, in part because the LDS rate class includes customers who are on flex rates, and therefore are not subject to the increase. (CII Statement No. 1, p. 14; PSU Statement No. 1-SR, pp. 11-13.) As a result of negotiations, the Parties agreed to reduce the total increase to the LDS class from the Company's proposal of \$2,885,000 to \$1,500,000.

c. Other Charges and Riders

Consistent with the Commission's June 23, 2011 Final Rulemaking Order at Docket No. L-2008-2069114, Columbia designed a gas procurement charge ("GPC") in

order to remove natural gas procurement costs from base rates and to recover those fuel acquisition costs as part of the “price to compare,” on a revenue neutral basis via an automatic adjustment charge only to be recalculated in a base rate case. As proposed by Columbia, the GPC included the labor and benefits costs associated with gas procurement activities, including external legal costs. (Columbia Statement No. 3, p. 29.) Columbia proposed a GPC of \$0.00162 per therm, later revised to \$0.00149 per therm. (Columbia Statement No. 3, p. 29; Columbia Ex. MJB-3; Columbia Statement No. 103-R, p. 18; Columbia Ex. MJB-2R.)

The NGS Intervenor presented testimony in support of a higher GPC that included additional costs. (NGS Intervenor Statement No. 1, pp. 13-22.) Under the Settlement, the Joint Petitioners were able to reach an amicable resolution relative to the level of the GPC that reflects an amount between the proposals of Columbia and the NGS Intervenor. Specifically, the Joint Petitioners have agreed that the Company’s GPC shall be set at \$0.00695 per therm. (Settlement ¶ 33.) The GPC is included in the increase in operating revenues discussed above, and has been accounted for in the design of base rates by removing such amount from the RS, SG and LG classes on a throughput basis. (Settlement ¶ 33.)

The Joint Petitioners have also agreed and the Settlement reflects a change to the Company’s Merchant Function Charge (“MFC”), based upon the uncollectible accounts percentage rate used for ratemaking purposes in this proceeding. (Columbia Statement No. 106-R, p. 25; Columbia Ex. MJB-1.) Specifically, the Settlement provides for a MFC of 1.5% for residential customers and a MFC of 0.51% for non-residential customers. The updated MFC rates shall be reflected in the Company’s Purchase of Receivables discount rates. (Settlement ¶ 32.)

The Joint Petitioners have also agreed that one of Columbia's proposed charges, the Choice Administrative Charge ("CAC") will not be adopted in this proceeding. (Settlement ¶ 31.) Columbia had proposed the CAC to recover costs incurred to administer and maintain the Choice Program and Gas Distribution Service Program on Columbia's system. (Columbia Statement No. 12, p. 19.) Columbia proposed to recover these costs on a volumetric basis. (Columbia Statement No. 3, p. 29.) The NGS Intervenors and PSU opposed the charge. (NGS Intervenors Statement No. 1, pp. 9-13; PSU Statement No. 1, pp. 6-10.) In order to reach a settlement in this proceeding, Columbia agreed to not adopt the charge at this time.

The NGS Intervenors proposed in their direct testimony that Columbia would adjust its penalty charges to Shippers for delivery failure. (NGS Statement No. 2, p. 4.) The NGS Intervenors argued that Columbia's penalty charges were excessive. (NGS Statement No. 2, p. 4.) Columbia's Witness Krajovic testified that Columbia's penalties were appropriately priced to ensure consistency of supply by Choice Suppliers and to create a disincentive for pricing arbitrage. (Columbia Statement No. 106-R, pp. 26-32.) After negotiations and in order to reach a full settlement in this proceeding, the NGS Intervenors agreed that Columbia should not adjust its penalty charges at this time. (Settlement ¶ 34.)

d. Conclusions as to Rate Design

The proposed changes to the rate design for all customer classes, as set forth in Appendix "B" to the Settlement, reflect an accord reached between the Joint Petitioners as to the rate design to be used to recover the rate increases allocated under the Settlement to the Company's customers. Columbia submits that the Settlement reflects

an acceptable compromise of the competing litigation positions of the Joint Petitioners relative to rate design.

C. TARIFF RULE 8.2.1 – MAIN EXTENSION MODEL

In direct testimony, OCA Witness Watkins proposed that Tariff Rule 8.2.1 be modified. Tariff Rule 8.2.1 relates to the policy for residential capital expenditure for main extensions. Mr. Watkins proposed that the Discounted Cash Flow (“DCF”) analysis used to determine the amount of any residential customer Contributions in Aid of Construction (“CIAC”) continue to incorporate a tax deductible provision for interest expense. (OCA Statement No. 3, p. 33.) Columbia agreed that the tax deductible provision should be included. (Columbia Statement No. 106-R, p. 15). Therefore, the Settlement provides that the DCF model used by Columbia for main extensions will continue to incorporate a tax deductible provision for interest expense with the determination of expected future discounted cash flows. (Settlement ¶ 35.) Further, the Parties agree that the DCF model that results from the Rider New Area Service (“NAS”) proceeding, at Docket No. R-2014-2407345, will be used by Columbia for all residential main extensions until the next base rate proceeding. In the next base rate proceeding, all Parties reserve their right to propose changes to the DCF model. (Settlement ¶ 36.)

D. UNIVERSAL SERVICE AND CONSERVATION

The Settlement includes several provisions related to Columbia’s Universal Service Programs. The Settlement provides that funding for the Company’s WarmWise® Low Income Usage Reduction Program (“LIURP”) will be increased from \$4.5 million to \$4.75 million, commencing with the effective date of rates in this proceeding. This increase is incremental to the \$32.5 million increase in operating revenue discussed above. (Settlement ¶ 40.) In addition, the WarmWise® LIURP

funding will continue to be recovered under the Company's existing Rider USP – Universal Service Plan and any resulting unspent balance in the designated WarmWise® LIURP funding account shall carry over and shall remain in that account. (Settlement ¶ 40.) Further, the Settlement provides that the Parties agree to not propose any further change to LIURP funding for a period of three years commencing with the effective date of the rates in this proceeding. (Settlement ¶ 40.)

It is to be emphasized that Columbia's current LIURP funding, on a per customer basis, is second only to Philadelphia Gas Works, and is substantially greater than the funding of other gas utilities. (Columbia Statement No. 114-R, p. 3.) Since 2005, Columbia has weatherized over 3,400 homes but has deferred weatherizing over 3,000 residences due to structural issues. (Columbia Statement No. 114-R, p. 4.) In addition to requiring that homes be structurally sound, these programs depend upon willing and cooperative participants. Over the years, the more accessible homes have been weatherized, leaving a higher percentage of the harder to reach homes and rental units. As these homes are more difficult and costly to reach, there becomes a diminishing return on additional investment of ratepayer dollars. (Columbia Statement No. 114-R, p. 4.) Columbia supports the modest increase to its LIURP funding provided for in the Settlement and will continue its efforts to weatherize eligible homes in its service territory. However, the difficulty in finding enough homes to weatherize is a reason why the Parties have agreed not to propose further changes in funding for a three-year period.

In addition, the Settlement includes provisions related to Columbia's WarmWise® Audits and Rebates ("WWA&R") program. The WWA&R program is an energy efficiency program that provides audits and rebates for qualifying Columbia

customers who may not be eligible for other low income weatherization programs. The authorized budget for WWA&R is \$750,000. (Columbia Statement No. 115-R, pp. 2-4.) First, under the Settlement, the income eligibility threshold floor of 151% of the Federal Poverty Level is eliminated. (Settlement ¶ 41.) This will expand the eligibility for WWA&R benefits. Second, within six months of the effective date of rates in this proceeding, the Company will convene a stakeholder meeting to investigate whether the program can be utilized to serve multifamily housing units. (Settlement ¶ 41.) Such a program was proposed by CAUSE-PA, but was not supported by Columbia because the Company believes additional investigation into the effectiveness of such a program is necessary prior to the commitment of ratepayer funds. (CAUSE-PA Statement No. 1, pp. 13-16; Columbia Statement No. 115-R, pp. 5-6.) The program would be limited to multifamily housing units that are individually metered. (Settlement ¶ 41.) This condition was proposed by the OCA. (OCA Statement No. 4-R, p. 5.)

E. OTHER ISSUES

1. Future Case Presentation

In this proceeding, Columbia utilized a budget methodology to support its operations and maintenance (“O&M”) costs. This process was described in detail in the testimony of Columbia Witness Hanson. (Columbia Statement No. 9, pp. 2-11.) I&E Witness Wilson identified concerns that I&E had with Columbia’s presentation using the budget methodology. (I&E Statement No. 2, pp. 3-7.) The issues identified in Witness Wilson’s direct testimony were addressed by the Company in its rebuttal testimony relating to disputed O&M expenses. (Columbia Statement No. 109-R, pp. 2-10.)

As a result of discussions between the Parties on the proper presentation of its O&M information, Columbia has agreed that in all future base rate cases, whether the Company uses a “build-up” or “budget-based” filing format, the schedules for O&M as detailed on Columbia Exhibit No. 104 shall display differences between the pro forma Historic Test Year (“HTY”) and Future Test Year (“FTY”) amounts, as well as the differences between the FTY and FPFTY amounts. (Settlement ¶ 37.) The schedules will support the total FPFTY claim amounts, rather than supporting only differences between FTY budget and claim amounts and FPFTY budget and claim amounts. (Settlement ¶ 37.) Columbia shall provide further details in future filings explaining increases in budget categories between test periods in whatever form the Company has available or can reasonably produce. (Settlement ¶ 37.) This Settlement provision will improve the analysis process associated with O&M expenses, and serve to reduce controversy regarding future O&M claims and the administrative burden on all parties.

2. Restoration Costs

I&E Witness Metro identified in direct testimony that Columbia’s main replacement program included significant costs imposed upon the Company by municipalities. (I&E Statement No. 6, pp. 4-5.) Principal among these are costs associated with paving and restoration. (I&E Statement No. 6, p. 5-6.) As Columbia indicated in its rebuttal testimony responding to Witness Metro, unlike other states, Pennsylvania has not adopted any law that gives a single state agency authority to set common standards. Instead, municipalities have substantial authority to establish their own street opening and restoration standards. (Columbia Statement No. 107-R, p. 2.) Therefore, Pennsylvania utilities, like Columbia, have limited options to oppose the kinds of restoration demands that have been adopted by an increasing number of

municipalities. (Columbia Statement No. 107-R, pp. 3, 5-7.) However, as addressed by Columbia Witness Cote, the Company attempts to work with municipalities and other utilities to reduce municipal requirements, including paving requirements, and the Company pushes back where possible. (Columbia Statement No. 107-R, pp. 7-8.) In addition, the Company employs several other measures to mitigate the cost of restoration, including locating facilities along the side of the road, using directional boring technology to avoid the need for trenching, and partnering with other utilities that need to do work in the same area, allowing both parties to reduce restoration costs. (Columbia Statement No. 107-R, pp. 8-9.) However, Columbia remains subject to the regulations adopted by the jurisdictions in which it operates. Therefore, in many instances Columbia must undertake the projects that it has identified, and must comply with the street opening regulations of the municipalities. (Columbia Statement No. 107-R, pp. 9-10.)

In an effort to address the concern of costs being imposed by municipalities, particularly in light of Columbia's ongoing main replacement program, the Parties to the Settlement have agreed that Columbia will meet with the Commission's Gas Safety Division and other interested parties to identify increasing state, county and municipal requirements that exceed the Pennsylvania Department of Transportation restoration standards and add to the cost of pipeline replacements, in an effort to develop coordinated potential responses to such requirements. (Settlement ¶ 38.) Columbia will also undertake audits of the restoration costs for its ten largest projects in the prior year, identifying costs incurred in excess of the Pennsylvania Department of Transportation restoration standards for paving, sidewalk repair and permitting fees. (Settlement ¶ 38.) Finally, Columbia will continue its efforts to reduce restoration costs,

including, but not limited to, coordinating pipe replacement projects with other street projects, and replacing pipe using trenchless construction techniques where technically and economically feasible. (Settlement ¶ 39.)

This Settlement provision will provide Columbia, I&E and other interested parties with the opportunity to more closely examine the factors resulting in increased restoration costs associated with the Company's main replacement program.

3. Rules Applicable to Distribution Service ("RADS") 2.6.1

In its direct testimony, Columbia proposed to add language to RADS 2.6.1 to address concerns associated with the order of priority for deliveries in the event of emergency situations, particularly focused on priority of delivery into a Local Market Area where a Shipper does not hold firm pipeline capacity that is deliverable to such Local Market Area and has not elected Standby Service. (Columbia Statement No. 12, p. 17.) Columbia proposed this language as a result of a specific operational concern that occurred in the 2013-2014 winter, where customer demand exceeded the firm pipeline capacity deliverable into the Hanover area. (Columbia Statement No. 106-R, pp. 20-23.) After working with the NGS Intervenors, the Parties were able to agree to the language proposed in the Settlement, which is set forth on Tariff Pages 30 and 189 as contained in Appendix "C." (Settlement ¶ 42.) For a Customer curtailed under the Company's Gas Emergency Rules, as revised pursuant to the Settlement, in the event of an Operational Flow Order ("OFO") the Company will correspondingly adjust the curtailed Customer's OFO level. (Settlement ¶ 42.) In addition, in the event of a curtailment under the Gas Emergency Rules, Columbia will notify affected Shippers as soon as possible of customers and quantities curtailed. (Settlement ¶ 42.) This resolution provides

Columbia with the ability to protect the Company's distribution system and its operational integrity during an emergency situation.

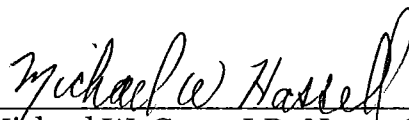
4. Future Debt Issuances

Under the Settlement, Columbia agrees that, for all future debt issuances during the twelve month periods ending December 31, 2014 and December 31, 2015, it will provide to TUS, I&E, OCA and OSBA, within 60 days of issuance, all loan documentation filed with the Commission in compliance with orders in filings submitted by Columbia pursuant to Chapter 19 of the Pennsylvania Public Utility Code. In addition, Columbia will preserve and provide to I&E, OCA and OSBA as a part of its next base rate case the following: (1) all documentation, including term sheets or estimates from financial institutions, if any, supporting debt issued between this base rate case and the next base rate case; and (2) the Treasury yield as reported in the Federal Reserve Statistical Release, H.15 Selected Interest Rates and the yield spread as reported by Reuters Corporate spreads as of the dates of each issuance. (Settlement ¶ 26.)

III. CONCLUSION

The Settlement is the result of a detailed examination of Columbia's proposals, multiple rounds of discovery, direct, rebuttal, surrebuttal and rejoinder testimony, and compromise by all active parties. Columbia believes that fair and reasonable compromises have been achieved on the settled issues in this case, as is evident by the fact that all parties, including Columbia, I&E, OCA, OSBA, PSU, CII, the NGS Intervenors, and CAUSE-PA have reached an agreement on all issues in this proceeding. Columbia fully supports this Settlement and respectfully requests that the ALJ and the Commission review and approve the Settlement in its entirety without modification.

Respectfully submitted,



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Date: September 5, 2014

Attorneys for Columbia Gas of Pennsylvania, Inc.

Appendix E

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2014-2406274
	:	
Columbia Gas of Pennsylvania, Inc.	:	

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

TO ADMINISTRATIVE LAW JUDGE MARK A. HOYER:

The Bureau of Investigation and Enforcement (I&E) of the Pennsylvania Public Utility Commission (Commission), by and through its Prosecutor Allison C. Kaster, hereby respectfully submits that the terms and conditions of the foregoing Joint Settlement Petition (Joint Petition or Settlement) are in the public interest and represent a fair, just, and reasonable balance of the interests of Columbia Gas of Pennsylvania, Inc. (Columbia or Company) and its customers:

I. BACKGROUND

1. I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding benefits the public interest and to ensure that the public interest is served. Based upon I&E's analysis of Columbia's base rate filing, acceptance

of this proposed Settlement is in the public interest and I&E recommends that the Administrative Law Judge and the Commission approve the Settlement in its entirety.

2. On March 21, 2014, Columbia filed Supplement No. 211 to Tariff Gas-PA. P.U.C. No. 9 to become effective May 20, 2014, calculated to produce approximately \$54.1 million in additional annual revenues, or 11.09% over present revenues. By Order entered April 23, 2014, the Commission instituted a formal investigation to determine the lawfulness, justness, and reasonableness of Columbia's existing and proposed rates, rules, and regulations. Supplement No. 211 was suspended by operation of law until December 20, 2014, unless permitted by Commission Order to become effective at an earlier date.

3. Administrative Law Judge Mark A. Hoyer was assigned to this proceeding for purposes of conducting hearings and issuing a Recommended Decision.

4. I&E entered the Notices of Appearance of Prosecutors Allison C. Kaster and Regina L. Matz in this proceeding on March 28, 2014. On August 7, 2014, I&E withdrew the appearance of Ms. Matz.

5. The ALJ held a prehearing conference on May 9, 2014, during which the parties agreed to a schedule for the conduct of the case including the service of testimony among the parties and the dates for evidentiary hearings.

6. All statutory parties undertook comprehensive discovery in this proceeding.

7. In accordance with the procedural schedule established at the prehearing

conference, I&E served to all active parties the following pieces of testimony and accompanying exhibits:

I&E Statement No. 1 and I&E Exhibit No. 1 – the Direct Testimony of Rachel Maurer;

I&E Statement No. 2 and I&E Exhibit No. 2 (Proprietary and Public versions) – the Direct Testimony and Exhibit of Christine Wilson;

I&E Statement No. 2-R– the Rebuttal Testimony of witness Christine Wilson;

I&E Statement No. 3 and I&E Exhibit No. 3 (Proprietary and Public versions) – the Direct Testimony and Exhibit of Jeremy Hubert;

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

I&E Statement No. 3-SR and I&E Exhibit No. 3-SR – the Surrebuttal Testimony and Exhibit of I&E witness Jeremy Hubert;

I&E Statement No. 4 and I&E Exhibit No. 4 – the Direct Testimony and Exhibit of Susan Daub;

I&E Statement No. 4-R and I&E Exhibit No. 4-R – the Rebuttal Testimony and Exhibit of Susan Daub;

I&E Statement No. 5 (Proprietary and Public versions) and I&E Exhibit No. 5 – the Direct Testimony of David Kline;

I&E Statement No. 6 and I&E Exhibit No. 6 – the Direct Testimony and Exhibit of Paul Metro.

8. In accordance with Commission policy favoring settlements at 52 Pa. Code § 5.231, I&E participated in multiple in-person and telephonic settlement discussions with the Company and other parties to the proceeding. Following extensive settlement negotiations, the parties reached a full and complete settlement of all issues.

II. TERMS AND CONDITIONS OF SETTLEMENT

9. It is the policy of the Commission to encourage settlements.¹ The Commission issued the following policy statement that articulates general settlement guidelines and procedures for major rate cases:

In the Commission's judgment, the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding. It is also the Commission's judgment that the public interest will benefit by the adoption of §§ 69.402—69.406 and this section which establish guidelines and procedures designed to encourage full and partial settlements as well as stipulations in major section 1308(d) general rate increase cases.²

10. This policy statement highlights the importance of settlement in Commission proceedings. The instant rate case was filed on March 21, 2014, and over the past five months, the parties engaged in extensive formal and informal discovery, preparation of testimony, and lengthy settlement discussions. All signatories to the Joint Petition actively participated in and vigorously represented their respective positions during the course of the settlement process. As such, the issues raised by I&E have been satisfactorily resolved through discovery and discussions with the parties and are incorporated in the Joint Petition. I&E represents that the Settlement satisfies all applicable legal standards and results in terms that are preferable to those that may have been achieved at the end of a fully litigated proceeding. Accordingly, for the reasons

¹ 52 Pa. Code § 5.231.

² 52 Pa. Code § 69.401.

articulated below, I&E maintains that the proposed Settlement is in the public interest and requests that the following terms be approved by the ALJ and the Commission without modification:

A. Revenue Requirement

1. Rate Increase (Joint Petition ¶ 18)

As proposed, Columbia requested a revenue increase of \$54.1 million. I&E analyzed the ratemaking claims contained in the Company's filing including, but not limited to, operating and maintenance expenses, rate base, and the cost of common equity. In its direct case, I&E recommended a revenue increase of \$12,620,782.

In the Settlement, Joint Petitioners agree to an increase in base rates to allow the Company the opportunity to recover an increase to annual intrastate operating revenues of \$32.5 million in lieu of the \$54.1 million originally requested, which represents a \$21.6 million savings for customers. In addition, the rates are designed based upon a pro forma throughput level of 80,000,000 Dth for the 12 months ended December 31, 2015.

I&E analyzed the ratemaking claims contained in the Company's filing including operating and maintenance expenses, rate base, projected revenues, rate structure, capital structure, and the cost of common equity and long-term debt. After this review and engaging in extensive discovery and settlement discussions, I&E fully supports the revenue level compromised upon in the Settlement. Due to the "black box" nature of the Settlement, the Settlement does not reflect agreement upon individual issues; rather, the parties have agreed to an overall increase to base rates that is substantially less than what

was requested by the Company. Line-by-line identification and ultimate resolution of every issue raised in the proceeding is not necessary to find that the Settlement is in the public interest nor could such a result be achieved as part of a settlement. Black box settlements benefit ratepayers because they allow for the resolution of a contested proceeding at a level of increase that is below the amount requested by the regulated entity and in a manner that avoids the significant expenditure of time and resources related to further litigation.

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

We have historically permitted the use of “black box” settlements as a means of promoting settlement among the parties in contentious base rate proceedings. *See, Pa. PUC v. Wellsboro Electric Co.*, Docket No. R-2010-2172662 (Final Order entered January 13, 2011); *Pa. PUC v. Citizens’ Electric Co. of Lewisburg, PA*, Docket No. R-2010-2172665 (Final Order entered January 13, 2011). Settlement of rate cases saves a significant amount of time and expense for customers, companies, and the Commission and often results in alternatives that may not have been realized during the litigation process. Determining a company’s revenue requirement is a calculation involving many complex and interrelated adjustments that affect expenses, depreciation, rate base, taxes and the company’s cost of capital. Reaching an agreement between various parties on each component of a rate increase can be difficult and impractical in many cases. For these reasons, we support the use of a “black box” settlement in this proceeding and, accordingly, deny this Exception.³

³ *Pa. PUC v. Peoples TWP LLC*, Docket No. R-2013-2355886, p. 28 (Order entered December 19, 2013).

I&E individually, and the Joint Petitioners collectively, considered, discussed, and negotiated all issues of import in this Settlement. From a holistic perspective, each party has agreed that the Settlement benefits its particular interest. The Commission has recognized that a settlement “reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.”⁴ The Settlement in this proceeding promotes the public interest because a review of the testimony submitted by all parties demonstrates that the Joint Petition reflects a compromise of the litigated positions held by those parties. Therefore, I&E submits that the Settlement balances the interests of Columbia and its customers in a fair and equitable manner and presents a resolution for the Commission’s adoption that best serves the public interest.

Public utility regulation allows for the recovery of prudently incurred expenses as well as the opportunity to earn a reasonable return on the value of assets used and useful in public service. The increase proposed in this Settlement respects this principle. Ratepayers will continue to receive safe and reliable service at just and reasonable rates while allowing the Company sufficient additional revenues to meet its operating and capital expenses and providing the opportunity to earn a reasonable return on its investment. As discussed above, the Settlement rates significantly moderate the increase initially proposed by the Company and, I&E believes, properly balances the interests of all parties. Accordingly, I&E submits that the proposed Settlement is in the public

⁴ *Pa. PUC v. C S Water and Sewer Associates*, 74 Pa. PUC 767, 771 (1991).

interest and requests that it be approved by the ALJ and the Commission without modification.

2. Settlement Terms Related to Use of the Fully Projected Future Test Year (Joint Petition ¶¶ 25, 26)

In its 2012 base rate filing, Columbia was the first utility to employ the concept of a Fully Projected Future Test Year (FPFTY) under Act 11 of 2012.⁵ The FPFTY marked a dramatic change from the standard ratemaking process. Although previously allowing for use of a Future Test Year (FTY), Section 315 of the Public Utility Code traditionally required that utility investment be used and useful in the provision of service before the investment was reflected in rates.⁶ As amended under Act 11, however, Section 315 of the Public Utility Code now allows a utility to project investment, and correspondingly include it in the utility's claimed revenue requirement, through the twelve-month period beginning with the first month that the new rates will be placed in effect. In light of that extended time period beyond which utilities are now permitted to project rate base investment, I&E's recommended reporting requirement intended to allow interested Commission bureaus the ability to timely review and verify the accuracy of the estimates Columbia used in its FPFTY.

⁵ 66 Pa. C.S. §§ 308, 315, 1307, 1350-1360.

⁶ I&E Statement No. 3, p. 10.

a. Rate Base (Joint Petition ¶ 25)

By allowing a utility to include within its calculated revenue claim projections of rate base additions, the FPFTY essentially allows a utility to require ratepayers in effect to pay a return on a utility's projected investment in future facilities that are not only not in place and providing service at the time the new rates take effect, but also that are not subject to any guarantee of being completed and placed into service. The additional level of revenue deficiency claimed by Columbia that was associated solely with the inclusion of the FPFTY was \$26,000,000.⁷

While the FPFTY authorizes the use of such projections, I&E maintains that it is important to have Columbia provide interim reports until the filing of its next anticipated base rate case in order to be able to timely review and verify the status of the Company's rate base projections. I&E requested that the updates be provided in the same format as the Company's Exhibit No. 108, Schedule 1, which included actual capital expenditures, plant additions, and retirements by month in order to provide interim comparisons of the Company's actual investment to its base rate projections used in setting rates using the FPFTY.⁸

In paragraph 25 of the Settlement, Columbia agreed to provide to I&E, OCA, and OSBA, as well as to Commission's Bureau of Technical Utility Services (TUS), updates to Columbia's Exhibit No. 108, Schedule 1, on or before April 1, 2015, for the twelve months ending December 31, 2014, and on or before April 1, 2016, for the twelve months

⁷ I&E Statement No. 3, p. 7.

⁸ I&E Statement No. 3, pp. 19-20.

ending December 31, 2015. In addition, Columbia agreed to provide as a part of the Company's next base rate case a comparison of its actual expenses and rate base additions for the twelve months ended December 31, 2015 to the projections in this case. As the first utility to employ a FPFTY under Act 11 and the first utility to file a subsequent rate case utilizing a FPFTY, I&E fully supports this term because it achieves I&E's goal of timely receiving data sufficient to allow for the evaluation and confirmation of the accuracy of Columbia's projections in advance of its next base rate case filing.

b. Debt Issuances (Joint Petition ¶ 26)

By using a FPFTY in this case, the Company included both historic and future debt issuances in the filing. The future debt cost rates filed by Columbia are estimates of the future and can change as interest rates change. In paragraph 26 of the Settlement, Columbia agreed to provide to I&E, OCA, OSBA, and TUS all loan documentation filed with the Commission in compliance with Commission's Orders issued under authority of Chapter 19 of the Public Utility Code addressing Columbia's debt issuances. The documentation shall be for all future debt issuances during the twelve-month periods ending December 31, 2014, and December 31, 2015. As was the case with respect to projections related to capital investment, this term provides for timely review and confirmation of Columbia's projected debt rate issuances given the relative novelty of the FPFTY in the ratemaking process. By submitting all documentation supporting the issuances of all future debts within 60 days of issuance, I&E will be able to determine the

effect use of a FPFTY has on the Company's debt costs and to ensure the future cost rate estimates remain reasonable.⁹

In addition, Columbia agreed to preserve and provide to I&E, OCA, and OSBA as part of its next base rate case all documentation supporting debt issued between this case and the next, and the Treasury yield as reported in the Federal Reserve Statistical Release, H.15 Selected Interest Rates and the yield spread as reported by Reuters Corporate spreads as of the dates of each issuance. Through such information I&E will be better able to review Columbia's long-term debt issuances and not only confirm Columbia's projections but also determine whether the Company secured such debt at reasonable costs.

B. Revenue Allocation and Rate Design:

1. Revenue Allocation (Joint Petition ¶ 30)

Revenue allocation under the Settlement is set forth in Appendix A. The distribution of revenue among the customer classes was a matter of interest to all parties in the proceeding and was the subject of numerous settlement discussions. All parties agree to the settled-upon allocation of the proposed increase among the classes. I&E maintains that the Settlement allocation is just, reasonable, and non-discriminatory. The allocation is in the public interest and should be approved.

⁹ I&E St. No. 1, pp. 12-14.

2. Residential Rate Design (Joint Petition ¶ 28)

Rate design under the Settlement for all classes is set forth in Appendix B. Columbia's current residential rate design consists of a \$16.75 per month customer charge and a single delivery rate of \$3.5017 for each Dth of gas delivered.¹⁰ In the filing, the Company proposed to increase the residential customer charge to \$22.50 per month and proposed a usage rate of \$3.9239 per Dth. I&E's customer cost analysis showed that the Company incurs \$15.70 per month of direct and indirect costs to serve residential customers; therefore, I&E opposed the Company's proposed \$22.50 per month customer charge and recommended that the residential customer charge not be increased because there was no cost basis for doing so.¹¹ Under the terms of the Settlement, the parties agree that residential customer charge will remain at the current rate of \$16.75 per month. This agreement to keep the residential customer charge at its current level is in the public interest because it ensures that customers will continue to pay an appropriate amount of direct and indirect costs through the monthly customer charge.

C. Tariff Rule 8.2.1- Main Extension Model (Joint Petition ¶ 36)

Issues related to the Company's main extension model are currently being litigated in the Rider NAS proceeding at Docket No. R-2014-2407345. Therefore, the parties agree that the DCF model that results from the Rider NAS proceeding will be used by Columbia for all residential main extensions until its next base rate proceeding. All parties reserve their right to propose changes to the DCF model in the Company's

¹⁰ I&E Statement No. 3, p. 50.

¹¹ I&E Statement No. 3, pp. 46, 50.

next base rate proceeding. This provision is in the public interest because it ensures that there will be one main extension model used for both NAS and non-NAS extensions.

D. Other

1. Rate Case Filing (Joint Petition ¶ 37)

I&E was concerned that the Company's work papers for ratemaking adjustments contained in its filing only supported the changes between its budget and actual numbers for each individual twelve month period ended November 30, 2014 and December 31, 2015, rather than supporting the total adjustments made between the HTY and FTY (i.e., the FTY claim amount minus the HTY claim amount), and the adjustments made between the FTY and FPFTY (i.e., the FPFTY claim amount minus the FTY claim amount).¹² Therefore, in all future base rate cases, whether the Company uses a "build-up" or "budget-based" filing format, Columbia agrees that the schedules for operating expenses as detailed on CPA Exhibit No. 104 shall display differences between the pro forma Historic Test Year and Future Test Year amounts, as well as the differences between the FTY and FPFTY amounts. The schedules will support the total FPFTY claim amounts, rather than supporting only differences between FTY budget and claim amounts and FPFTY budget and claim amounts. This term is in the public interest because it ensures that the Company's filing will contain information that is necessary for I&E expert witnesses to analyze the justness and reasonableness of the Company's ratemaking claims.

¹² I&E Statement No. 2, pp. 3-7.

2. Municipal Restoration Costs (Joint Petition ¶¶ 38, 39)

I&E presented the testimony of David Cline and Paul Metro from the Commission's Gas Safety Division to address Columbia's increased main replacement construction costs. The average cost of main replacement in 2008 of \$81.25 per foot increased to \$135.67 per foot in 2012, representing an approximate 67% increase.¹³ One of the reasons for the increase is that municipalities are requiring larger restoration areas and more rigorous process than historically required, which has increased Columbia's contractor and paving costs.¹⁴ While I&E understands that municipalities have the ability to regulate the price and conditions on the issuance of a permit before Columbia can proceed with construction related to pipeline replacement, I&E is concerned that these costs are not reasonably connected to the Company's main replacement projects and are simply an opportunity for municipalities to recover the cost of public works projects from Columbia ratepayers rather than through taxpayers.¹⁵

In Settlement, the parties agree that Columbia will meet with the Commission's Gas Safety Division and other parties to identify increasing state, county and municipal requirements that exceed the Pennsylvania Department of Transportation restoration standards and add to the cost of pipeline replacements in an effort to develop coordinated potential responses to such requirements. Columbia will also undertake audits of the restoration costs for its 10 largest projects in the prior year, identifying costs incurred in excess of the Pennsylvania Department of Transportation restoration standards for paving, sidewalk repair and permitting fees. Further, Columbia agrees to

¹³ I&E Statement No. 6, p. 3.

¹⁴ I&E Statement No. 6, pp. 3, 5.

¹⁵ I&E Statement No. 6, pp. 4, 9-10.

continue its efforts to reduce restoration costs, through efforts including, but not limited to, coordinating pipe replacement projects with other street projects, and replacing pipe using trenchless construction techniques where technically and economically feasible.

It is well settled that utility rates must be just and reasonable, expenses must be necessary for the provision of safe and reliable service, and only rate base that is used and useful in the provision of public utility service is permitted to be included in rate base.¹⁶ The information that Columbia will provide through the settlement will help ensure that these fundamental ratemaking principles are being adhered to by assisting I&E in determining whether and to what extent municipalities are seeking recovery of construction costs from Columbia ratepayers that are unrelated to the provision of safe and reliable gas service.¹⁷

3. WarmWise[®] LIURP Funding (Joint Petition ¶ 40)

Paragraph 40 the Settlement permits the Company to increase its annual WarmWise[®] LIURP funding from \$4,500,000 to \$4,750,000. The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) proposed that Columbia's LIURP penetration levels be increased from the projected 600 households per year to 1000 households per year. Although CAUSE-PA did not identify a dollar increase associated with the 400 household LIURP penetration increase, I&E calculated an estimated increase of \$2,330,000 using the 2012 average cost per weatherization.¹⁸

¹⁶ I&E Statement No. 7.

¹⁷ I&E Statement No. 6. p. 4.

¹⁸ I&E Statement No. 4-R, p. 3.

I&E opposed CAUSE-PA's requested LIURP increase and recommended that Columbia's LIURP funding remain at the current \$4,500,000.¹⁹ I&E's concern stems from the fact that Columbia's low-income programs are funded almost entirely by residential ratepayers. Because residential customers substantially bear the cost of these low-income programs, I&E was concerned about the added burden CAUSE-PA's requested LIURP increase would have on residential ratepayers who are compelled to pay for this funding through rates. The Settlement balances I&E's concerns with CAUSE-PA's proposal by containing a \$250,000 increase to LIURP funding and an agreement that parties will not propose any further change to LIURP funding for a period of three years commencing with the effective date of the rates in this proceeding. These terms are in the public interest because the Company will continue to provide energy reduction services to its low income customers, while at the same time the Settlement moderates the amount recovered from ratepayers and ensures that the amount will not increase for three years.

III. THE SETTLEMENT SATISFIES THE PUBLIC INTEREST

11. I&E represents that all issues raised in testimony have been satisfactorily resolved through discovery and discussions with the Company or are incorporated or considered in the resolution proposed in the Settlement. The very nature of a settlement requires compromise on the part of all parties. This Settlement exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first blush to be

¹⁹ I&E Statement No. 4-R, p. 4.

irreconcilable regulatory differences. Joint Petitioners have carefully discussed and negotiated all issues raised in this proceeding, and specifically those addressed and resolved in this Settlement. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlement is not necessary as I&E represents that the Settlement maintains the proper balance of the interests of all parties. I&E is satisfied that no further action is necessary and considers its investigation of this rate filing complete.

12. Based upon I&E's analysis of the filing, acceptance of this proposed Settlement is in the public interest. Resolution of this case by settlement rather than litigation will avoid the substantial time and effort involved in continuing to formally pursue all issues in this proceeding at the risk of accumulating excessive expense.

13. I&E further submits that the acceptance of this Settlement will negate the need for evidentiary hearings, which would compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the preparation of Main and Reply Briefs, the preparation of Exceptions and Replies, and the potential of filed appeals, all yielding substantial savings for all parties, and ultimately all customers, as well as certainty on the regulatory disposition of issues.

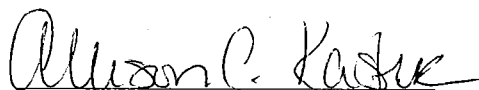
14. The Settlement is conditioned upon the Commission's approval of all terms without modification. Should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the Company, I&E, or any other Joint Petitioner.

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

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

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the Joint Petition for Settlement as being in the public interest and respectfully requests that Administrative Law Judge Mark A. Hoyer recommend, and the Commission approve, the terms and conditions contained in the Settlement.

Respectfully submitted,



Allison C. Kaster
Attorney I.D. #93176

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265
(717) 787-1976

Dated: September 5, 2014

Appendix F

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2014-2406274
	:	
Columbia Gas of Pennsylvania, Inc.	:	

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

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 March 21, 2014, Columbia Gas of Pennsylvania, Inc. (Columbia or the Company) filed Supplement No. 211 to Tariff Gas - Pa. P.U.C. No. 9 at Docket No. R-2014-2406274 (Supplement No. 211). The Company proposed to increase rates to produce additional annual operating revenues of \$54.1 million, or 11.09%, over present revenues. The Company proposed that the rate increase become effective on May 20, 2014.

For the residential sales service class, the Company proposed an overall increase in rates of 10.42%. The total bill for a residential customer who purchased 72 therms of gas per month would increase from \$87.12 to \$96.20. Columbia proposed to increase the residential customer charge from \$16.75 to \$22.50.

In the settlement adopted in the 2012 base rate case, the Company received approval for a Weather Normalization Adjustment (WNA) pilot program, whereby residential customers' bills are adjusted up or down in months where the weather varies from normal by more than 5 percent. Consistent with that settlement, the WNA pilot program will continue until a final order is issued in the first rate case filed after May 31, 2016.

Pursuant to Act 11 of 2012 (Act 11), the Company utilized a fully forecasted future test year in its filing ending on December 31, 2015. Columbia also has a Distribution System Improvement Charge (DSIC), which allows it to recover repair, improvement and replacement costs between base rate cases. Pursuant to the settlement of the 2012 base rate case, the Company suspended its DSIC until eligible account balances exceeded the levels projected by Columbia at June 30, 2014 (the end of the fully forecasted future test year in the 2012 base rate case).

Columbia provides natural gas service to approximately 417,000 residential, commercial, and industrial customers in portions of 26 counties in western, northwestern, central, and southern Pennsylvania.

On March 12, 2014, the Bureau of Investigation & Enforcement (I&E) filed a Notice of Appearance. On March 13, 2014, the OCA filed a Formal Complaint, Public Statement, and Notice of Appearance. Also on March 13, 2014, Columbia Industrial Intervenors (CII) filed a Petition to Intervene. On April 4, 2014, Interstate Gas Supply, Dominion Retail, and Shipley Energy (NGS Parties) filed a Petition to Intervene. On April 25, 2014, the Coalition for Affordable Utility Services and Energy-Efficiency in Pennsylvania (CAUSE-PA) filed a Petition to Intervene, and on April 28, 2014, Pennsylvania State University (PSU) filed a Petition to

Intervene. On April 4, 2014 and April 7, 2014, Ronald Vanetta and John S. Smith, respectively, filed formal complaints against Columbia's proposed rate increase.

The proceeding was assigned to Administrative Law Judge Mark A. Hoyer. By Order entered April 23, 2014, the Commission suspended the implementation of Supplement No. 211 until December 20, 2014, and instituted an investigation into the lawfulness, justness, and reasonableness of the rates, rules, and regulations proposed in Supplement No. 211. A prehearing conference was held on May 9, 2014.

The OCA submitted the testimony of the following witnesses in this proceeding:

David J. Effron
OCA Statement No. 1 – Direct Testimony (6/20/2014)
OCA Statement No. 1-SR – Surrebuttal Testimony (7/28/2014)

Charles W. King
OCA Statement No. 2 – Direct Testimony (6/20/2014)
OCA Statement No. 2-SR – Surrebuttal Testimony (7/28/2014)

Glenn A. Watkins
OCA Statement No. 3 – Direct Testimony (Revised 8/1/14)
OCA Statement No. 3-R – Rebuttal Testimony (7/15/2014)
OCA Statement No. 3-SR – Surrebuttal Testimony (Revised 8/1/14)

Roger D. Colton
OCA Statement No. 4 – Direct Testimony (6/20/2014)
OCA Statement No. 4-R – Rebuttal Testimony (7/15/2014)
OCA Statement No. 4-SR – Surrebuttal Testimony (7/28/2014)

The Joint Petitioners agreed to stipulate to the admission of the OCA's testimony into the record, and the testimony was admitted at the evidentiary hearing on August 4, 2014.

Pursuant to the Commission's policy of encouraging settlements that are in the public interest, the OCA, I&E, OSBA, CAUSE-PA, CII, NGS Parties, PSU, and Columbia (Joint Petitioners) met on numerous occasions to discuss settlement. These discussions resulted in this

proposed, comprehensive Settlement. As discussed below, the OCA submits that the proposed Settlement is in the public interest.

II. TERMS AND SETTLEMENT

A. Revenue Requirement (Settlement ¶ 18)

The proposed Settlement provides for an overall distribution base rate increase of \$32.5 million, about \$22 million less than the rate increase amount originally requested by Columbia of \$54.1 million. This rate increase reflects an increase in overall revenues of approximately 6.66% as compared to the Company's original request for an 11.09% increase in overall revenues. Even if the Joint Settlement is approved sooner, its terms provide that the increase will not go into effect before December 20, 2014, the end of the suspension period.

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

B. Residential Customer Charge (Settlement ¶ 28)

In its filing, Columbia proposed to increase the residential customer charge by 34% from \$16.75 to \$22.50 per month. The OCA opposed any increase to the customer charge. Consistent with the OCA's position, under the terms of the proposed Settlement, the residential customer charge will remain at the current level of \$16.75 per month. Applying 100% of the rate increase to the volumetric charges will help to offset the impact of the WNA on price signals and allow customers – and low income customers, particularly – to control the volumetric portion of their

distribution bill through conservation. Maintaining the current customer charge also recognizes that Columbia has other mechanisms to address risk, in particular, the WNA, the DSIC and a fully-forecasted future test year. In the OCA's view, maintaining the existing charge also recognizes that during the last four years the customer charge already increased from \$11.50 to \$16.75, or by 46%, and that analysis of the costs of connecting and maintaining a customer's account do not support any increase to fixed monthly customer charges. OCA St. 3 at 30-32.

C. Revenue Allocation (Settlement ¶ 30)

The Settlement provides that the Company may increase base rates by amounts designed to produce a \$32.5 million increase in annual operating revenues, in lieu of the increase of \$54.1 million originally proposed by the Company in this proceeding. Under the revenue allocation agreed to by the Joint Petitioners, the Columbia residential class would experience an increase of \$24.41 million. Under the proposed Settlement, the average total monthly bill for a Columbia residential customer using 72 therms per month would rise from \$87.12 to \$92.74, or by 6.45%.

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

D. Distribution System Improvement Charge (DSIC) (Settlement ¶ 19)

The Settlement provides that, as of the effective date of rates in this proceeding, Columbia will be eligible to include plant additions in the DSIC once eligible account balances exceed the levels projected by Columbia at December 31, 2015, the end of the fully forecasted

future test year. The foregoing provision is included solely for purposes of calculating the DSIC, and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a Fully Projected Future Test Year filing.

In its testimony, the OCA recommended using an average rather than year-end balance to determine the test year rate base. OCA St. 1 at 5-9; OCA St. 1S at 2-5. Because the revenue requirement was settled, ratepayers benefit from using the year-end balance because the Company must realize a higher level of plant investment before any incremental expenditures can be recovered through a DSIC.

E. Normalization Period For Tax Repairs Deduction (Settlement ¶ 20)

With regard to the \$37.4 million tax refund previously received by Columbia (attributable to the change in method for the repairs deduction), the proposed Settlement provides that the remaining amount of \$2,044,714 million shall be amortized over 18 months commencing January 1, 2015. In its filing, the Company proposed to amortize the remaining amount over 24 months but later agreed with the OCA's witness that 18 months is consistent with the Company's proposed normalization of rate case costs. OCA St. 1 at 30. This proposed settlement term is consistent with that testimony and benefits ratepayers by returning a larger amount to customers over a shorter period.

F. WarmWise® A&R Program (Settlement ¶¶ 40-41)

Pursuant to the proposed Settlement, within six months of the effective date of the rates in this proceeding, the Company will convene a stakeholder meeting, inviting representatives from the electric distribution companies with overlapping service territories who have multifamily programs as a part of their Act 129 portfolio, and interested parties to this proceeding, to examine how its Warm Wise® Audits and Rebates program can be utilized to

serve multifamily housing units. This will help to ensure better coordination of the gas and electric programs as well as the sharing of best practices.

The OCA also raised a concern in its testimony that, in a master-metered building, where the natural gas bill is included in rent, the building is commercial in nature. Treating these buildings with energy efficiency will not redound to the benefit of the low-income tenant or to residential ratepayers, but rather to the benefit of the building owner/manager. The OCA submitted that it would be inappropriate to use residential ratepayer dollars to treat multi-family buildings in these circumstances. OCA St. 4 at 3-5. The proposed Settlement addresses this concern by providing that any efficiency measures undertaken in multifamily housing units as part of Columbia's Warm Wise® Audits and Rebate program will be exclusively in individually-metered units. This ensures that residential ratepayer dollars will be used to benefit residential customers.

G. New Area Service (NAS) Rider (Settlement ¶ 36)

Columbia has a Tariff Supplement pending before the Commission at Docket No. R-2014-2407345, which proposes a pilot and voluntary New Area Service (NAS) rider that would be applicable only to new residential customers. In his testimony in this proceeding, OCA witness Watkins noted that he is participating in the NAS Rider case and proposed certain modifications related to main extensions in the pilot program. Mr. Watkins recommended one change in this proceeding to Tariff Rule 8.2.1.

Specifically, the DCF model used by Columbia in its extension calculations incorporate a tax deductible provision for interest expense within the determination of expected future discounting of cash flows provision. Mr. Watkins proposed that Tariff Rule 8.2.1 reflect this provision. The OCA submits that this change will assist the Company in calculating appropriate

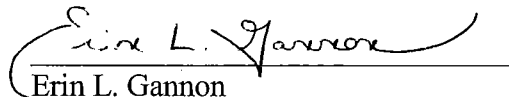
deposit requirements for line extensions. OCA St. 3 at 33-34. In rebuttal, the Company agreed that the modification makes sense and should be a permanent update in the DCF model. The Settlement provision reflects that agreement.

As to the issues being litigated in the Rider NAS context, the parties agreed that the DCF model that results from the Rider NAS proceeding will be used by Columbia for all residential main extensions until the next base rate proceeding. In the next base rate proceeding, all parties reserve their right to propose changes to the DCF model. This Settlement provision will benefit customers by avoiding the expense of litigating the overlapping issues twice and will result in the Company applying one DCF model, rather than two, after the NAS proceeding concludes.

III. CONCLUSION

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

Respectfully submitted,



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Date: September 5, 2014
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Appendix G

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
v.	:	Docket No. R-2014-2406274
COLUMBIA GAS OF PENNSYLVANIA, INC.	:	

**STATEMENT OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF SETTLEMENT**

I. Introduction

The Office of Small Business Advocate (“OSBA”) is an agency of the Commonwealth of Pennsylvania authorized by the Small Business Advocate Act (Act 181 of 1988, 73 P.S. §§ 399.41 – 399.50) to represent the interests of small business consumers as a party in proceedings before the Pennsylvania Public Utility Commission (“Commission”).

On March 21, 2014, Columbia Gas of Pennsylvania, Inc. (“Columbia”) filed with the Pennsylvania Public Utility Commission (“Commission”) Supplement No. 211 to its Tariff Gas – Pa. P.U.C. No. 9 (“Supplement No. 211” or “base rate filing”). Supplement No. 211 proposed an increase in revenues of approximately \$54.1 million which represented an 11.09% increase in operating revenues based.

On April 23, 2014, the Commission issued an Order suspending Columbia’s Supplement No. 211 until December 20, 2014. The OSBA filed a Formal Complaint on April 10, 2014. Formal Complaints were also filed on behalf of the Office of Consumer Advocate, Columbia Industrial Intervenors, and several individual complainants. In addition, Petitions to Intervene were filed by the NGS Intervenors, CAUSE-PA, and the Pennsylvania State University (“PSU”). The Commission’s Bureau of Investigation and Enforcement (“I&E”) entered its appearance.

These parties and intervenors are collectively referred to hereafter as “Joint Petitioners.”

The initial Prehearing Conference was held as scheduled on May 9, 2014, at which the ALJ established the litigation schedule and discovery rules.

The Joint Petitioners conducted substantial formal and informal discovery in this proceeding. Pursuant to the established litigation schedule, the OSBA and other parties served their direct testimony on June 20, 2014, rebuttal testimony on July 15, 2014, , and surrebuttal testimony On July 29, 2014,

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, a settlement in principle was achieved by the Joint Petitioners.

On August 4, 2014, the ALJ held a hearing at which Columbia’s filing, and the testimony and exhibits served by the parties during the course of the proceeding were formally introduced and admitted into the evidentiary record.

In the Settlement, the Joint Petitioners have proposed that rates be designed to produce an additional \$32.5 million in annual base rate operating revenues instead of the Company’s filed increase request of approximately \$54.1 million. Upon approval of the Settlement, Columbia will receive an increase in existing overall base rates of approximately 6.65%, instead of the 11.09% increase proposed in Columbia’s filing.

II. Summary of the OSBA’s Principal Concerns

1. In its testimony, the OSBA noted its concern with the fact that Columbia’s revenue allocation proposal did not match up with its cost allocation results, assigning an above system average rate increase to small business customers, despite the fact that small business customers exhibited an above average class rate of return in all of Columbia’s cost allocation studies. The

OSBA offered an alternative revenue allocation recommendation that it believed was consistent with the Company's cost allocation analysis. Further, Columbia's calculation of customer-related costs in its cost allocation studies was arithmetically incorrect. This error contributed to Columbia's proposal to assign an excessive customer charge increase to small customers in the SGS/SGDS rate class. OSBA recommended that a more moderate customer charge increase be applied.

III. Settlement

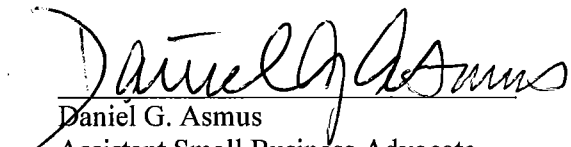
This Settlement sets forth a comprehensive list of issues which were resolved through the negotiation process. The OSBA does not object to the resolution of any of those issues as detailed in the text of the Settlement.

Specifically, the issues listed above and in OSBA's testimony were resolved to the OSBA's satisfaction in the Settlement. The revenue allocation issues (see Appendix A of the Settlement), and the resulting rate design alleviated OSBA's concern regarding the above system average increase initially assigned to the small business class by substantially lowering the amount of that increase. Further, the error leading to the excessive customer charge was corrected, resulting in a more moderate increase to the SSGS/SGDS class customer charge in the Settlement.

As the OSBA's issues of principal concern were resolved through the Settlement, agreeing to the text of this Settlement enables the OSBA to conserve its resources and avoid the uncertainties inherent in fully litigating the case.

WHEREFORE, the OSBA respectfully requests that the Administrative Law Judge and the Commission approve the text of this Settlement without modification.

Respectfully submitted,


Daniel G. Asmus
Assistant Small Business Advocate
Attorney I.D. 83789

For:

John R. Evans
Small Business Advocate

Office of Small Business Advocate
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(717) 783-2831 (fax)

Dated: September 5, 2014

Appendix H

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2014-2406274
	:	
Columbia Gas of Pennsylvania, Inc.	:	

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

The Columbia Industrial Intervenors ("CII"), by and through its counsel, submits that the Joint Petition for Settlement ("Joint Petition" or "Settlement"), filed in the above-captioned proceeding with the Pennsylvania Public Utility Commission ("PUC" or "Commission"), reflects a settlement among the Joint Petitioners with respect to Columbia Gas of Pennsylvania, Inc.'s ("Columbia" or "Company"), March 21, 2014, filing of Supplement No. 211 to Tariff Gas – Pa. P.U.C. No. 9, which sought to increase Columbia's total annual operating revenues by \$54.1 million. As a result of settlement discussions, Columbia, CII, the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), the PUC Bureau of Investigation and Enforcement ("I&E"), The Pennsylvania State University ("PSU"), the Natural Gas Supplier Parties¹ ("NGSs"), and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA") (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.

¹ The Natural Gas Supplier Parties include Dominion Retail, Inc., Shipley Choice LLC, and Interstate Gas Supply, Inc.

I. BACKGROUND

1. On March 21, 2014, Columbia filed Supplement No. 211 to Tariff Gas – Pa. P.U.C. No. 9 ("Supplement No. 211"), which contained proposed changes in rates, rules, and regulations calculated to produce approximately \$54.1 million, or 11.1%, in additional revenues.

2. On April 28, 2014, CII submitted a Complaint at Docket No. C-2014-2418801. 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 May 9, 2014, before presiding Administrative Law Judge ("ALJ") Mark A. Hoyer, at which the time the procedural schedule was established. Pursuant to that Schedule, CII submitted the following: Direct Testimony and Exhibits of Richard A. Buadino, which has since been marked as CII Statement No. 1; Rebuttal Testimony and Exhibits of Richard A. Baudino, which has since been marked as CII Statement No. 1-R; and Surrebuttal Testimony of Richard A. Baudino, which has since been marked as CII Statement No. 1-S. Specifically, CII responded to Columbia's proposed cost allocation to the Large Distribution Service ("LDS") rate class, which did not account for the substantial gas volumes within the LDS class subject to negotiated "flexed" rate agreements. Given that customers with negotiated rates are not subject to an increase in base rates, Rate LDS customers without flexed rate agreements would have received an increase far higher than the Company's stated overall base rate increase for the LDS rate class. CII further opposed Columbia's proposal to implement a Choice Administration Charge ("CAC") on a volumetric, rather than per-customer, basis.

4. CII further responded to the Direct and Rebuttal Testimonies of OCA, OSBA and I&E (collectively, "State Advocates") regarding rate design and rate allocation. CII's testimony raised concerns regarding the State Advocates' proposal to allocate a significant portion of gas main costs on a basis of total throughput. CII's testimony also opposed the proposed cost allocations to the LDS rate class set forth by the State Advocates, all of which would result in unreasonable rate increases to Rate LDS customers.

5. On or about July 31, 2014, the Parties informed the ALJ that a partial settlement in principle had been reached resolving the majority of the issues in this proceeding. A telephonic hearing was held on August 4, 2014, at which time all parties' testimony was entered into the evidentiary record. During the hearing, the Parties informed the ALJ that a unanimous agreement in principle had been reached resolving all outstanding issues in this proceeding. The ALJ directed the Joint Petitioners to submit the Joint Petition and accompanying Statements in Support by September 5, 2014.

II. STATEMENT IN SUPPORT

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

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

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

9. The Joint Petitioners agree that the \$32.5 million rate increase achieved in the Joint Petition is just, reasonable, and in the public interest.

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

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

- a. As a result of the Joint Petition, expenses incurred by the Joint Petitioners and the Commission for completing this proceeding will be less than they would have been if the proceeding had been fully litigated.
- b. Uncertainties regarding further expenses associated with possible appeals from the Final Order of the Commission are avoided as a result of the Joint Petition.
- c. The Joint Petition results in an increase in Columbia's rates by \$32.5 million, which is approximately 60.1% of the Company's original request of \$54.1 million.
- d. The Joint Petition provides a just and reasonable means by which to allocate the resulting increase.
- e. The Joint Petition reflects compromises on all sides presented without prejudice to any position any Joint Petitioner may have advanced so far in this proceeding. Similarly, the Joint Petition is presented without prejudice to any position any party may advance in future proceedings involving the Company.

12. In addition, the Joint Petition specifically satisfies the concerns of CII by: (1) lowering the revenue increase amount by approximately 39.9%; (2) reasonably allocating the proposed increase among the customer classes; and (3) eliminating the proposed CAC.

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

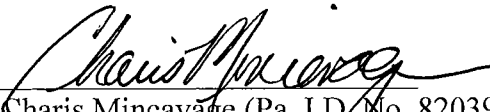
14. As set forth above, CII submits that the Settlement is in the public interest and adheres to Commission policies promoting negotiated settlements. The Settlement was achieved after numerous settlement discussions. Although Joint Petitioners have invested time and resources in the negotiation of the Joint Petition, this process has allowed the parties, and the Commission, to avoid expending the substantial resources that would have been required to fully litigate this proceeding while still reaching a just, reasonable, and non-discriminatory result. Joint Petitioners have thus reached an amicable solution to this dispute as embodied in the Settlement. Approval of the Settlement will permit the Commission and Joint Petitioners to avoid incurring the additional time, expense, and uncertainty of further current litigation of a number of major issues in this proceeding. *See* 52 Pa. Code § 69.391.

III. CONCLUSION

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

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 
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cmincavage@mwn.com
etrinkle@mwn.com

Counsel to the Columbia Industrial Intervenors

Dated: September 5, 2014

Appendix I

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	
et al.,	:	
	:	
v.	:	Docket No.: R-2014-2406274
	:	
Columbia Gas of Pennsylvania, Inc.	:	

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

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

I. BACKGROUND

1. This proceeding began on or about March 21, 2014 when Columbia Gas of Pennsylvania (“Columbia”) filed Supplement No. 211 to its Tariff Gas Pa. P.U.C. No. 9, seeking to increase revenues by approximately \$54.1 million or 11.09%. As part of the proceeding, Columbia sought, *inter alia*, to lower the amount for costs of natural gas procurement taken out of its base rates through its gas procurement charge (“GPC”) as required by the Commission’s regulations at 52 Pa. Code § 62.223. Columbia also proposed a Choice Administrative Charge (“CAC”), claiming to further unbundle costs allegedly associated with CHOICE customers. Columbia also sought to change tariff Section 2.6.1 regarding Rules Applicable to Distribution Service.

2. In their Petition to Intervene, the NGS Parties identified the GPC and CAC proposed by Columbia as the most significant issues in the case. Subsequently, through the testimony of witnesses, Anthony Cusati III, Matthew Sommer, and William L. Barkas, the NGS Parties raised additional issues: 1) Columbia's unnecessarily high and punitive charges for transportation and choice under deliveries and 2) Columbia's practices regarding late payment fees and the Purchase of Receivables discount.

II. SETTLEMENT

3. The Joint Petition for Settlement proposes a GPC of \$.0695 per dekatherm, which is approximately four times higher than the amount initially proposed by the company. While the settlement GPC amount is significantly less than the amount proposed in the testimony of the NGS Parties' witness, it nonetheless is acceptable to the NGS Parties.

4. The Joint Petition for Settlement does not include a CAC. NGS Parties strongly opposed introduction of a CAC through testimony, and the absence of a CAC is satisfactory to the NGS Parties.

5. The Joint Petition for Settlement now clarifies Columbia's intent with respect to its proposed changes to Section 2.6.1 and instead implements these changes through Section 2.3.1, allowing Columbia to require proof of firm service during an emergency. While the NGS Parties debate the form and necessity of this proof, given that Columbia may only require proof during an emergency, the proposal is acceptable to the NGS Parties.

6. While the Joint Petition for Settlement does not address what the NGS Parties believe are punitive charges for transportation and CHOICE under/over deliveries, the NGS Parties will accept the status quo on this issue, for the present, as part of a larger settlement.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

7. The NGS Parties believe and therefore, submit that this settlement is reasonable and in the public interest because it presents an incrementally improved GPC, one that moves towards representing a closer estimate of the portion of the gas procurement charges incurred by the company in the provision of supplier of last resort service to customers who choose not to shop. This additional unbundling, even though less robust than that proposed by the NGS Parties, more appropriately assigns costs required to procure the natural gas commodity for bundled Sales customers to the Price-to-Compare (“PTC”), thus allowing for a default service rate that more accurately reflects the costs of providing a retail natural gas service in the marketplace. Competitive parity is essential for robust natural gas competition to develop in Pennsylvania and for customers to receive the full benefits of competition.

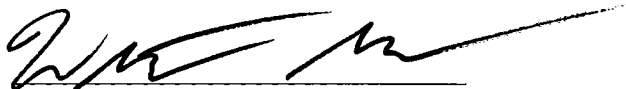
8. Moreover, the absence of a CAC charge (a proposed anti-competitive charge that is not authorized by statute or Commission regulation) is in the public interest because it does not further distort competition.

9. Finally, Columbia’s option to require suppliers to provide proof of firm capacity in emergency situations, while likely unnecessary, could potentially benefit all customers in emergency situations, and thus is in the public interest.

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

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

Respectfully submitted,



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*Counsel for Dominion Retail, Inc.,
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Dated: September 5, 2014

Appendix J

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,	:	
et al.,	:	
	:	
v.	:	Docket No. R-2014-2406274
	:	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 and without modification. In support thereof, PSU avers as follows:

1. On March 21, 2014, Columbia Gas of Pennsylvania, Inc. (“Columbia”) filed with the Pennsylvania Public Utility Commission (“Commission”) Supplement No. 211 to its Tariff Gas – Pa. P.U.C. No. 9. (“Supplement No. 211”). Supplement No. 211 proposed an increase in revenues of approximately \$54.1 million which represented an 11.09% increase in operating revenues based upon a pro forma fully projected future test year ending December 31, 2015.

2. PSU is a major customer of Columbia for natural gas service for a number of separate accounts. Primary service is taken under the LDS (Large Distribution Service) class but it also takes service under the SDS (Small Distribution Service); SGSS (Small General Sales Service); and RSS (Residential Sales Service) classes.

3. In the Settlement, the Joint Petitioners have proposed that rates be designed to produce an additional \$32.5 million in annual base rate operating revenues instead of the Company's filed increase request of approximately \$54.1 million. The increase to the LDS class is \$1,500,000 which is lower than the originally proposed increase by the Company. PSU also supports the settlement because it eliminates the volumetric Choice Administration Rider or "CAC" proposed by the Company which PSU believes conflicts with the Commission's regulations and ratemaking principles.

4. The terms in the Settlement were reached after numerous hours of negotiations among Columbia, PSU, the Bureau of Investigation and Enforcement ("I&E"), the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), Columbia Industrial Intervenors ("CII"),¹ Interstate Gas Supply, Inc. d/b/a IGS Energy, Shipley Energy Company and Dominion Retail, Inc. d/b/a Dominion Energy Solutions (collectively "NGS Intervenors") and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA") that included the subject of cost of service studies and the allocation of the overall increase among the various rate classes and, in particular, to the LDS rate class. While PSU continues to be concerned about attempts by certain parties to favor outdated cost of service methodologies that incorrectly treat customers or customer classes with superior load factors the same as customers or customer classes with poor load factors or fail to

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

recognize the benefit of Flex service to all customers and allocated it as such, it supports the settlement as a compromise of competing positions.

5. The Settlement is also without prejudice or admission to any position any party, including PSU, may take in any subsequent or different proceeding. 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,



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DATED: September 5, 2014

Counsel for The Pennsylvania State University.

Appendix K

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos.	R-2014-2406274
Office of Consumer Advocate	:		
Office of Small Business Advocate	:		C-2014-2413419
Columbia Industrial Intervenors	:		C-2014-2417238
Ronald Vanetta	:		C-2014-2418801
John S. Smith	:		C-2014-2416868
Peter Kaczmarek	:		C-2014-2416873
James G. Reedy	:		C-2014-2422692
G. Thomas Smeltzer	:		C-2014-2422693
	:		C-2014-2429053
v.	:		
	:		
Columbia Gas of Pennsylvania, Inc.	:		

**STATEMENT OF THE COALITION FOR AFFORDABLE UTILITY SERVICES
AND ENERGY EFFICIENCY IN PENNSYLVANIA IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT**

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

I. INTRODUCTION

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

reasonable terms and conditions. Specifically, CAUSE-PA asserted that any rate increase should be partially offset with additional weatherization resources targeting Columbia's most economically vulnerable customers. Among other provisions, the Settlement provides for an increase in rates designed to produce \$32.5 million in annual base rate operating revenues, and further provides for an additional \$250,000 in increased funding for the Company's WarmWise® Low Income Usage Reduction Program ("LIURP").

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

II. BACKGROUND

CAUSE-PA adopts that background as set forth in Paragraphs 1-15 of the Joint Petition for Settlement.

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

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

Paragraph 40 of the Settlement confirms that there will be an increase in annual Warm Wise® LIURP funding from \$4.5 million to \$4.75 million, commencing with the effective date of rates in this proceeding. Any resulting unspent balance in the designated LIURP funding account shall carry over and shall remain in that account. The parties agree to not propose any

further change to LIURP funding for a period of three years commencing with the effective date of the rates in this proceeding.

This increase is well justified. In his Direct Testimony, CAUSE-PA witness Mitchell Miller documented that households at or below 150% of the federal poverty guidelines simply lack sufficient income to pay for all of their essential needs. An increase in fixed costs could result in increased unaffordability and termination of service. (CAUSE-PA Statement No. 1 at 7.) In response to Columbia's requested rate increase, Mr. Miller recommended that Columbia significantly increase its LIURP penetration levels among its low-income customers. (CAUSE-PA Statement No. 1 at 10.) Mr. Miller documented in his testimony that Columbia's LIURP program is efficiently run and produces tangible results that assist low-income households in reducing their energy use and their bills. Specifically, Columbia's LIURP yields energy reductions of almost 30%. (CAUSE-PA Statement No. 1 at 11.) Despite these impressive gains, Mr. Miller pointed out that Columbia's LIURP budget was insufficient to meet the extensive need in its service territory as there were 31,735 customers who presently meet LIURP eligibility criteria and have not received weatherization treatment in their homes. (CAUSE-PA Statement No. 1 at 12.)

Through the negotiated settlement agreed to by all parties, Columbia's LIURP budget will be increased from \$4.5 million per year to \$4.75 million per year. This increase, while not fully meeting the unmet need within Columbia's service territory, ensures that many more households will receive access to proven weatherization measures that will significantly reduce their usage, their bills, and the costs on other ratepayers who are assisting these households through Columbia's CAP program.

Moreover, the Settlement term which requires that any unused funds in one LIURP year will be carried over to the next ensures that the designated LIURP funding will be used for its

ultimate purpose and not lost as a result of temporary work reductions due to unforeseen weather or other factors within any given year. This carryover will enable Columbia to deliver the needed usage reduction services to a household, regardless of the LIURP budget year. Finally, the agreement in the Settlement that the parties not propose any further change to LIURP funding for a period of three years commencing with the effective date of the rates in this proceeding will permit Columbia time to ramp up its program while continuing to provide effective results.

In addition to an increase in LIURP funding, the Settlement provides in Paragraph 41 that the income eligibility threshold floor of 151% of Federal Poverty Level will be eliminated for the Company's Warm Wise® Audits and Rebate program. Within six months of the effective date of the rates in this proceeding, the Company will convene a stakeholder meeting, inviting representatives from the electric distribution companies with overlapping service territories that have programs addressing multifamily housing as a part of their Act 129 portfolio, and interested parties to this proceeding, to examine how its Warm Wise® Audits and Rebates program can be utilized to serve multifamily housing units.

Addressing energy efficiency in multifamily housing within Columbia's service territory is in the public interest and supported by CAUSE-PA.

In his testimony, Mr. Miller recommended that Columbia expand its Warm Wise Audit and Rebate program to focus on multi-family buildings housed within its service territory. Energy efficiency upgrades in multi-family rental housing are a cost-effective means to reduce energy consumption, maintain housing affordability, and create healthier, more comfortable living environments for moderate- and low-income families. (CAUSE-PA Statement No. 1 at 13.) He further testified that Columbia could utilize the Warm Wise® Audits and Rebates program in multifamily housing through effective working relationships with the Electric Distribution

Companies (EDCs) with overlapping service territories, specifically the First Energy Companies and Duquesne Light. Each of these EDCs has multi-family energy efficiency projects that are a part of their Act 129 programs. (CAUSE-PA Statement No. 1 at 14.) The convening of a stakeholder meeting by Columbia, consisting of representatives of these electric distribution companies and other interested stakeholders, will provide a needed first step in focusing the company toward examining energy efficiency in multifamily housing.

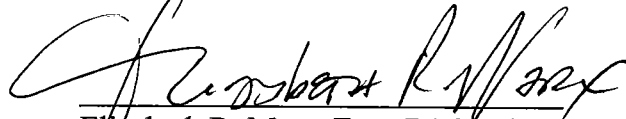
IV. CONCLUSION

CAUSE-PA submits that the Settlement, which 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, is in the public interest. Acceptance of the Settlement avoids the necessity of further administrative and possible appellate proceedings regarding the settled issues at what would have been a substantial cost to the Joint Petitioners and Columbia's customers.

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

Date: September 5, 2014

PENNSYLVANIA UTILITY LAW PROJECT



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*For: Coalition for Affordable Utility Services
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