

Questions and Answers about Columbia Gas of Pennsylvania's Proposed Base Rate Adjustment

Q: What do you mean by a base rate adjustment?

A: Columbia Gas is seeking approval from the Pennsylvania Public Utility Commission (PUC) to adjust the customer charge and distribution charges, which are commonly referred to as base rates.

Q: What are base rates?

A: Base rates generate the revenue needed to repair, upgrade and operate Columbia Gas of Pennsylvania's natural gas delivery system. This system includes 7,400 miles of pipelines, regulator stations, meters and other facilities. This charge is separate from gas costs, which generally make up 60 percent of the total bill.

Base rates are comprised of a monthly customer charge, which is a flat rate customers pay each month regardless of how much gas Columbia delivers to their home or business, and a distribution charge. The distribution charge is based on how much gas Columbia delivers to their home or business.

The customer charge and the distribution charges are the only source of revenue for Columbia. All of Columbia's investments in pipes, meters and all of its expenses that support safe and reliable gas service – including responding to gas-related emergencies – are recovered through the customer charge and distribution charge.

Q: How will the base rate adjustment impact my bill?

A: The average total bill for a residential customer using 7.2 Mcf of gas per month would increase from \$84.95 per month to \$90.82, which represents a 6.9 percent increase.

Q: Didn't Columbia Gas just raise my base rates in January?

A: No. In January, Columbia Gas filed its quarterly gas cost adjustment for the commodity portion of a customer's bill, which accounts for nearly 60 percent of a customer's total bill. Columbia purchases its gas on the wholesale market and, under Pennsylvania law, passes those costs on to the customer without mark-up or profit.

Q: Will this impact the credit I received in November from Columbia Gas?

A: No. The credit many customers received in November represented a refund of amounts they previously paid for the gas commodity. After Columbia set its rates for gas commodity last year, the cost of gas commodity dropped substantially, so Columbia refunded the overpayment to ensure that customers paid only the amount that Columbia paid for the gas commodity. Columbia Gas provided a one-time credit to customers in November following an annual review of its gas cost purchases.

Q: Why does Columbia Gas of Pennsylvania need to adjust its base rates?

A: Columbia's ongoing and planned infrastructure requirements and introduction of a new home energy efficiency program make it necessary to adjust our revenues in an effort to better align them with our costs of providing safe and reliable service. The proposed distribution rate adjustment, if approved as filed, would allow for a fair return on Columbia's investments and continued infrastructure investment, as well as expansion of energy efficiency programs.

Q: When was the last time Columbia Gas of Pennsylvania asked to adjust its base rates?

A: Columbia last filed for a base rate adjustment in January 2008. The proposed rates were implemented in November 2008.

Q: Is this rate hike fair to Columbia Gas of Pennsylvania customers?

A: Columbia views this as a fair and reasonable request which, if approved as filed, will provide customers with a number of tangible benefits such as a comprehensive home energy efficiency program and a safer and more reliable natural gas delivery system.

Q: What is in this proposal for customers besides higher base rates?

A: Several things. The base rate case proposal includes funding for Columbia's ongoing infrastructure replacement program, which will enable Columbia to continue delivering safe and reliable service. It also includes implementing a comprehensive, \$4 million home energy efficiency program – which would be available to all customers, regardless of income – with the goal to help residential customers lower their home's gas usage.

Q: Will Columbia Gas of Pennsylvania do anything to help low income customers cope with higher base rates?

A: Columbia Gas is committed to providing its low-income customers with the tools, resources and programs to stay safe and warm in their homes. This can best be demonstrated by our commitment to implement a comprehensive energy conservation program and increase the level of funding to our Emergency Repair Program from \$250,000 to \$500,000. Columbia Gas will continue to offer its Customer Assistance and Low Income Usage Reduction Programs and partnership with the Dollar Energy Fund. These programs help low income customers mitigate the impact of a base rate adjustment.

Q: When will this adjustment impact my bill?

A: In a general rate proceeding such as this, it could take the PUC up to 9 months to review the filing and issue a formal order, with the new rates effective in late 2010. Prior to the implementation of new rates, Columbia will communicate to customers any PUC-approved rate changes.