

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

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

A: Columbia Gas has received approval from the Pennsylvania Public Utility Commission (PUC) to adjust the customer charge and distribution charges, which are components of what is 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 approximately 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 72 Ccf of gas per month would increase from \$84.95 per month to \$87.14, which represents a 2.58 percent increase.

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

A: No. In July, Columbia Gas filed its quarterly gas cost adjustment for the commodity portion of a customer's bill, which accounts for approximately 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 overpaid for the gas commodity. After Columbia set its rates for gas commodity last year, the cost of gas commodity that served as the basis for those rates 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 enhanced customer assistance programs make it necessary to adjust our revenues in an effort to better align them with our costs of providing safe and reliable service. The approved base rate adjustments allow for a fair return on Columbia's investments and continued infrastructure investment, as well as expansion of energy efficiency and customer assistance 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 increase, which will provide customers with a number of tangible benefits such as enhanced customer assistance programs and the continued provision of safe and reliable natural gas service.

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

A: Several things. The base rate adjustment includes funding for Columbia's ongoing infrastructure replacement program, which will enable Columbia to continue delivering safe and reliable service. It also includes increased funding for the Emergency Repair Program, which provides financial assistance to eligible homeowners for the repair of gas lines and heating equipment.

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. 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: The adjusted rates will take effect Oct. 1, 2010.