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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

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Public Utilities Commission of Ohio

Application of Columbia Gas of Ohio, Inc.  
for a Waiver of certain provisions in the De-  
cember 2, 2009 PUCO Opinion and Order in  
Case No. 08-1344-GA-EXM for the Purpose  
of Promoting Economic Development )  
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Case No. 10- 457 -GA-WVR

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**APPLICATION OF COLUMBIA GAS OF OHIO, INC.  
FOR A WAIVER OF CERTAIN PROVISION OF THE DECEMEBER 2, 2009 PUCO  
OPINION AND ORDER IN CASE NO. 08-1344-GA-EXM  
FOR THE PURPOSE OF PROMOTING ECONOMIC DEVELOPMENT**

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Pursuant to Ohio Admin. Code § 4901-1-38, Columbia Gas of Ohio, Inc. ("Columbia") files this request for a waiver of certain provisions of the Public Utilities Commission of Ohio's ("Commission") December 2, 2009 Opinion and Order in Case No. 08-1344-GA-EXM for the purpose of promoting economic development and enhancing its Demand Side Management rebate program for residential customers. Columbia requests this waiver so that it may use \$1.55 million of the \$2.3 million in funds from an interstate pipeline refund to promote economic development in Ohio instead of using the funds as a credit to Columbia's Gas Choice Standard Service Offer Reconciliation Rider ("CSRR") that normally would be distributed to customers over a three-year period as required by the December 2, 2009 Opinion and Order. Columbia plans to use the remaining \$750,000 to enhance Demand Side Management rebates for residential customers as determined by the Demand Side Management Stakeholder Group. The reasons for this request are discussed below.

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## I. TENNESSEE PIPELINE REFUND

The funds at issue originate from an order from the Federal Energy Regulatory Commission ("FERC") approving an Amendment to a previous Settlement and Stipulation with the Tennessee Gas Pipeline Co. ("TGP"). In 1995, TGP entered into the Settlement which allowed for a cost recovery mechanism for costs associated with implementing a program to deal with contamination issues along its pipeline system. Over the years, TGP collected more than was needed to fully fund and complete the program. As a result, TGP's customer group and TGP reached an uncontested settlement to refund the over-collected amounts. FERC approved the Amendment to the Settlement Agreement ("Amendment") on November 4, 2009. (*Tennessee Gas Pipeline Co.*, 129 FERC ¶ 61,105).

Columbia's share of the refund is \$2.3 million, to be dispersed over three years. The Amendment provides for quarterly payments over a three-year period beginning December 18, 2009 with a payment of \$384,729.<sup>1</sup> The remaining funding will be dispersed over a period of nine quarters in the amounts of \$125,946 for three quarters and \$263,176 for the final six quarters. The first scheduled refund to customers will be in July 2010 absent approval of the instant application.

Historically, "refunds" received by Columbia from interstate pipelines were credited to sales customers through the calculation of the GCR rate, as set forth in Ohio Admin. Code § 4901:1-14 and Appendix A thereto. However, effective April 1, 2010, such refunds will be credited to Columbia's sales and Choice program customers through the CSRR over a period of twelve months. See PUCO Case No. 08-1344-GA-EXM, Opinion and Order (December 2,

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<sup>1</sup> The first quarterly payment was to be made on July 1, 2009, however, the settlement was not approved until Nov. 4, 2009. The payment on December 18, 2009 represents the July 1, 2009 payment, the October 1, 2009 payment and the January 1, 2010 payment.

2009). In this instance, the payments to the customer would be spread out over a period of approximately 42 months to reflect the length of time the refund is dispersed to Columbia.

Currently, the "refund" from TGP would amount to an average of less than 3.1 cents a month per customer for a total of \$1.31 credit over 42 months. While Columbia understands the difficulties customers are experiencing as a result of the present economic downturn, such nominal refunds over this period would do little, if anything, to provide financial assistance to most customers. In order to maximize the use and impact of this refund, Columbia is proposing to aggregate the dollars into one "fund" (\$2.3 million) to be used for the promotion of economic development in Ohio and for the enhancement of Demand Side Management customer rebates for residential customers. This use of the refund will likely have a greater impact on Columbia's customers as a whole, as explained further below.

## **II. COLUMBIA'S PLAN TO PROMOTE ECONOMIC DEVELOPMENT**

Ohio has been hit hard by the downturn in the economy. The Ohio Department of Job and Family Services reported an unemployment rate of 10.9% for the month of December 2009.<sup>2</sup> Columbia's Economic Development Grant Program ("Grant") would be available to provide financial assistance to a new company or the expansion of an existing company. Each grant would range from \$50,000 to \$1 million over the next three years, until Columbia's Grant is exhausted. Columbia will commit to help finance approximately two to four industry and regionally diverse projects each year. While such financial assistance is unlikely to be the sole source of funding for these projects, it will make Ohio more competitive with other states also seeking to create more jobs and to attract new businesses.

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<sup>2</sup> Press Release, Ohio Department of Job and Family Services, Ohio and U.S. Employment Situation (January 22, 2010)(available at <http://jfs.Ohio.gov/releases/unemp/201001/UnempPressRelease.asp>).

Any new or existing company project within Columbia's territory can apply for the Grant. Small businesses will also be eligible for the Grant. It is preferred, but not mandatory, that the project include one or more of the following criteria: (a) involve a capital investment of at least \$1 million; (b) create at least 50 new jobs; or (c) add at least 20,000 sq. ft. of new floor area.<sup>3</sup> The funding level will be based upon the number of jobs created, the level of investment, the wages of the jobs created, the project location, the use of the funds, the demonstration of support and need, the level of competition, and whether the project will receive additional funding assistance from other sources.

For small businesses employing less than 50 employees, it is preferred that the company meet the following criteria: (a) create at least 10 full-time equivalent employees; (b) payroll wages of at least 175% of the federal minimum wage; and (c) the established business has been in existence for at least three years. The funding level will be based upon the same criteria detailed above.

The application approval process will consist of four parts: the internal review and funding recommendation by Columbia, review and recommendation by the Ohio Department of Development ("ODOD") and the Office of the Ohio Consumers' Counsel ("OCC"), review by the Staff of the Commission ("Staff") and signature by the Chairman of the Commission.

Columbia will collaborate with local and regional economic development organizations, including ODOD to identify eligible projects. Once a project is identified, Columbia will work directly with the applicant company to complete the grant application to be submitted and reviewed by Columbia. After the application is complete, Columbia will determine the funding level the project will receive from the Columbia Grant Program.

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<sup>3</sup> This criterion is an industry standard established in 1978 by Conway Data, Inc. to track new facilities and expansion activity.

After the application is complete and the funding level determined, Columbia will forward the grant application to the Public Affairs Liaison at the Commission, the ODOD Business Development Manager and the OCC for review. After ODOD, the OCC and Staff review the application and make recommendations, Staff will forward the application to the Chairman of the Commission for signature. Once the application receives the requisite signature, ODOD will prepare a commitment letter to the applicant company signed by the ODOD Director. Upon receipt, the applicant company must tender an acceptance letter to the ODOD in order to receive the grant funds. ODOD will then send the grant documentation package to Columbia. The documentation package will include the grant application, a copy of the signed ODOD commitment letter, and a copy of the applicant company's acceptance letter.

Columbia will notify the applicant company of the grant award decision. Grant funding will be released to the recipient as a reimbursement upon completion of capital investment or job creation in the case of small businesses.

### **III. ECONOMIC IMPACT AND CONFIDENTIAL PROJECT EXAMPLES**

The potential economic impact of the projects targeted by Columbia's Grant program is substantial. Job creation is one of the most significant aspects of these projects as it strengthens Ohio's economic base and revives economically struggling communities. The quality of life for thousands of Ohioans who have been hit hard by the economic recession could improve as economically depressed communities are restored with the addition of manufacturing companies and other businesses eligible for Columbia's Grant. With Columbia's help, businesses could reoccupy and restore vacant buildings and develop the surrounding neighborhoods.

Further, Columbia customers specifically would also benefit from Columbia's Grant program. Job creation would improve many customers' ability to pay their utility bills, thus reducing the arrearages that other customers must pay.

Bill LaFayette, Ph.D., Vice President Economic Analysis, Columbus Chamber of Commerce provided Columbia with an economic impact assessment of a qualified plastics manufacturer ("Manufacturer X") that is constructing a new facility that could potentially utilize Columbia's Grant program. The key focus of an economic impact assessment is the increase in output of the regional economy that results from the economic activity of a specific entity. Output is measured by the value of goods and services produced in a given area over a given period of time; this is often referred to as Gross Domestic Product ("GDP"). A second consideration is the jobs that are created or sustained as a result of the target entity's activities.

The following results of Dr. Lafayette's assessment are based upon an investment of \$70 million, including \$750,000 for land, \$9,250,000 for building (engineering and construction), and \$60 million for machinery and equipment.

**Construction – impact on GDP (during construction)**

Direct impact (\$9.25 million market value)	\$ 6,360,000
Indirect impact	8,220,000
<b>Total impact</b>	<b>\$ 14,580,000</b>

**Construction – impact on employment (during construction)**

Direct impact	70
Indirect impact	90
<b>Total impact</b>	<b>160</b>

**Operations – impact on GDP (annually)**

Direct impact	\$ 8,580,000
Indirect impact	9,970,000
<b>Total impact</b>	<b>\$ 18,550,000</b>

**Construction – impact on employment**

Direct impact	200
Indirect impact	480

**Total impact of 200 new jobs**

**680 jobs**

While Columbia's Grant may not be a significant source of funding for this project, it would make Ohio a more attractive location for Manufacturer X, especially in a market where states are actively competing for new businesses, particularly businesses of Manufacturer X's magnitude.

A manufacturer of solar panels ("Manufacturer Y") has also expressed an interest in developing a new manufacturing facility for its solar modules. Manufacturer Y is proposing to acquire a 252,000 sq.ft. manufacturing facility (housing two production lines) for the manufacturing of a vacuum coating system and for the production of a new thin cell solar panels. This facility will serve as a prototype for other production lines in the solar industry. Manufacturer Y is considering alternative sites in Alabama, Florida, Kentucky, Michigan and Canada. Investment is estimated at \$166 million including, \$14.2 million in land and building acquisition; \$7.3 million in building renovation; \$89.3 million in machinery and equipment, \$125,000 in furniture and fixtures, \$1 million in on site infrastructure, and \$60 million in administrative, legal and other costs resulting in the creation of 402 new jobs. Again, Columbia's Grant could assist in attracting such a business to locate in Ohio rather than in another state.

Manufacturer Z has also expressed an interest in expanding its operations and could benefit from Columbia's Grant program. Manufacturer Z is the region's largest employer. Manufacturer Z produces engine bearings, bushings, and thrust washers. The expansion line will allow Manufacturer Z to break into the heavy duty truck market (for Detroit Diesel, etc). It will consist of roughly three new operations not currently in the plant. The investment is estimated at \$12.7 million in new construction and equipment and the creation of 160 new full-time positions with

an average hourly wage of \$17.00 with an annual salary of \$35,360. Manufacturer Z currently has 270 full time employees.

The three projects cited above are just examples of the kinds of projects that could benefit from Columbia's Grant program and serve only to illustrate just how much of an impact such projects could have on Ohio, as well as Columbia customers. These three programs alone have the potential to create over 1,000 jobs throughout Ohio. This creation of jobs would serve as a life-line to Ohio, which continues to see soaring unemployment rates. Columbia's Grant program will attract these kinds of projects to Ohio, making it a more competitive and desirable location for new businesses. The potential economic impact of Columbia's Grant program far outweighs the 3.1 cents a month savings to Columbia customers.

#### **IV. DEMAND SIDE MANAGEMENT REBATES**


In addition to its Economic Development Plan, Columbia proposes to allocate \$750,000 of the \$2.3 million refund to enhance Demand Side Management rebates for residential customers, the details of which shall be discussed and agreed upon by the Demand Side Management Stakeholder Group. Enhanced rebates will, for example, make implementation of energy efficiency measures in Columbia's Home Performance Program even more affordable for residential customers and nearly cost free for low-income customers whose income is less than 80% of the area median. While customers generally have limited funds to pursue energy efficiency retrofits or to select higher efficiency equipment when making a replacement, the dynamics of the current economy have made it even more difficult for such financial commitments. This direct benefit to residential customers will also aid in decreasing gas consumption year in and year out, which has a direct correlation to lower bills.



## V. CONCLUSION

Columbia respectfully requests that the Commission grant a waiver of the provision in its December 2, 2009 Order which requires such funds to be disbursed through the CSRR and allow Columbia to utilize the TGP refund for promoting economic development in the manner described above in addition to using the money to enhance Demand Side Management programs. The potential impact of the proposed Grant program on Ohioans and Columbia Gas customers justifies a deviation from the Order.

Respectfully submitted,  
**COLUMBIA GAS OF OHIO**

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