

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Co-)
lumbia Gas of Ohio, Inc. for Approval) Case No. 11-5515-GA-ALT
of an Alternative Form of Regulation.)

JOINT STIPULATION AND RECOMMENDATION

Rule 4901-1-30, Ohio Administrative Code (“O.A.C.”) provides that any two or more parties to a proceeding may enter into a written stipulation covering the issues presented in such proceeding. The purpose of this document is to set forth the understanding of Columbia Gas of Ohio, Inc. (“Columbia”), the Staff of the Public Utilities Commission of Ohio (“Staff”) (which for the purpose of entering into this Joint Stipulation and Recommendation, will be considered a party by virtue of O.A.C. Section 4901-1-10(C)), the Office of the Ohio Consumers’ Counsel, Ohio Partners for Affordable Energy, Honda of America Manufacturing, Inc., and the Ohio Farm Bureau Federation (collectively, the “Signatory Parties” or “Parties”)¹, and to recommend that the Public Utilities Commission of Ohio (“Commission”) approve and adopt this Joint Stipulation and Recommendation (“Stipulation”), resolving all of the issues in the above-captioned proceeding. This Stipulation also resolves, as to the Signatory Parties, some issues related to Columbia’s next annual filing to adjust its Infrastructure Replacement Program (“IRP”) Rider.²

This Stipulation, which shall be designated as Joint Exhibit 1, is supported by adequate data and information, represents a just and reasonable resolution of the issues in this proceeding; violates no regulatory principle or precedent; and is the product of serious bargaining among knowledgeable and capable parties. Although this Stipulation is not binding on the Commission, it is entitled to care-

¹ Industrial Energy Users-Ohio is also a party to this proceeding, and has indicated that it neither supports nor opposes this Joint Stipulation and Recommendation.

² The Notice of Intent for Columbia’s next annual filing to adjust its IRP Rider will be made by November 30, 2012. The application for the same proceeding will be filed by February 28, 2013.

ful consideration by the Commission, where, as here, it is sponsored by Parties representing a wide range of interests, including Staff.

Except for enforcement purposes, and except as otherwise specified herein, neither this Stipulation nor the information and data contained herein, nor the Commission Order approving the Stipulation shall be cited as precedent in any future proceedings for or against any Signatory Party, or the Commission itself. The Signatory Parties' agreement to this Stipulation, in its entirety, shall not be interpreted in a future proceeding before this Commission as their agreement to only an isolated provision of this Stipulation. Except as otherwise specified herein, no specific element or item contained in or supporting this Stipulation shall be construed or applied to attribute the results set forth in this Stipulation as the results that any Signatory Party might support or seek, but for this Stipulation in these proceedings or in any other proceeding.

For purposes of resolving certain issues raised by this proceeding, the Signatory Parties stipulate and recommend as follows:

1. This Stipulation is entered into as an overall compromise and resolution of all of the issues presented in this proceeding, as well as some issues related to Columbia's next annual filing to adjust its Infrastructure Replacement Program ("IRP") Rider. This Stipulation does not necessarily represent the position any Signatory Party would have taken absent the execution of this Stipulation.

REAUTHORIZATION AND TERM

2. In the Application filed in this docket on May 8, 2012, Columbia proposed to continue its alternative regulation plan approved by Commission Opinion and Order dated December 3, 2008 in Case No. 08-0072-GA-AIR, et al. ("2008 Order") for an additional five-year period (incorporating IRP investments made from January 1, 2013 through December 31, 2017), and to also clarify the scope of Columbia's current alternative regulation plan. The Parties agree that the Application should be approved, with the modifications described herein.

3. Columbia may continue its Rider IRP mechanism to reflect IRP investments made through December 31, 2017. However, should Columbia file a base rate case with new rates effective before December 31, 2017, the Parties recognize that as part of any such rate case interested parties may challenge any as-

pect of the IRP and the Commission may, as a result of such challenge or on its own initiative, revise Columbia's IRP prior to December 31, 2017.

CLARIFICATIONS TO THE SCOPE OF COLUMBIA'S ACCELERATED MAINS REPLACEMENT PROGRAM

4. The primary scope of the Accelerated Mains Replacement Program ("AMRP") component of Columbia's IRP is a 25-year program to replace approximately 4,100 miles of bare steel, cast iron and wrought iron pipe which is contained throughout Columbia's distribution system. By December 31, 2017, Columbia expects to have replaced approximately 1,640 miles of this bare-steel, cast iron and wrought iron pipe. To the extent that Columbia has replaced less than 1,640 miles of this pipe by December 31, 2017, the costs of the replacement of such shortfall (i.e., 1,640 miles less the actual miles replaced) may not ever be recovered through the IRP mechanism. The costs of such shortfall shall be based on the average cost of the pipeline replacements during calendar year 2017.

5. The Parties agree that the scope of the AMRP component of Columbia's IRP should be clarified to expressly include interspersed sections of non-priority pipe³ contained within the bounds of priority pipe replacement projects where it is more economical to replace such pipe rather than to attempt to tie into the existing sections of pipe. The determination of what constitutes "economical to replace" is based on the analysis attached to Columbia witness Eric Belle's Prepared Direct Testimony filed in this docket on May 8, 2012. Based on that analysis, the Parties agree on the following metric with regard to the replacement of non-priority pipe:

PIPE DIAMETER	REPLACE IF FOOTAGE IS LESS THAN OR EQUAL TO
8-inch	205 feet
6-inch	250 feet
4-inch	365 feet
2-inch	435 feet

³ Columbia's cast iron pipe, wrought iron pipe, bare steel pipe, unprotected coated steel pipe are collectively referred to as "priority pipe." Other types of pipe are referred to as "non-priority pipe."

The Parties also agree to the clarification specified in this paragraph for purposes of Columbia's upcoming Rider IRP filing (see footnote 2).

6. The Parties agree that the scope of the AMRP component of Columbia's IRP should be clarified to expressly include first generation plastic pipe or Aldyl-A plastic pipe when such pipe is associated with priority pipe in replacement projects. For each calendar year of the IRP, the footage of such first generation plastic pipe and Aldyl-A plastic pipe that may be included in Rider IRP may not exceed 5% of the total AMRP program footage for that same calendar year. The Parties also agree to the clarification specified in this paragraph for purposes of Columbia's upcoming Rider IRP filing (see footnote 2). Columbia will develop and submit for Staff and other interested parties' review a procedure for identifying and quantifying the footage of first generation or Aldyl-A plastic pipe it replaces for each AMRP project, and will file and implement that procedure no later than January 1, 2013.

7. The Parties agree that the scope of the AMRP component of Columbia's IRP should be clarified to expressly include ineffectively coated steel, subject to the provisions of this paragraph. Steel pipe installed and field coated before 1955 shall be considered to be ineffectively coated without further testing, and within the scope of the IRP, with the replacement costs thereof recovered through Rider IRP. Coated steel pipe installed in 1955 or later will be cathodically tested to determine whether it is ineffectively coated, and if it is found to be ineffectively coated, the costs associated with its testing and replacement will be included in Rider IRP. The cost of testing any segment found to be effectively coated shall not be included in Rider IRP. The cost of testing pipe found to be ineffectively coated shall be capitalized with the replacement project.

8. The Parties agree that the scope of the AMRP component of Columbia's IRP should be clarified to expressly include the costs of system improvements for future growth purposes only if the improvements are for the same purpose as the original role of the priority pipe and the cost is no more than an in-kind (i.e., size-for-size) replacement of the replaced pipe.

9. The cost of moving inside meters to outside locations, which shall be capitalized, shall be recovered through Rider IRP only to the extent that all of the following conditions are met: (a) Columbia plans to and actually does increase the pressure in the pipeline associated with the meter to operate that pipeline at regulated pressure (greater than 1 psig); (b) the meter is connected to a

segment of pipe to be replaced as part of the AMRP; and, (c) Columbia plans to, and actually does, operate the replacement mains and associated service lines at regulated pressure within two years of relocating the first meter on the project. If Columbia has included the cost of a meter relocation based on plans to operate the replacement mains and associated service lines at regulated pressure, but does not do so within two years of relocating the first meter on the project, Columbia will remove the associated cost from the revenue requirement in the next Rider IRP application and include a credit for any associated costs previously included in Rider IRP charges billed to customers.

10. Columbia may recover through Rider IRP the costs associated with replacing segments of pipe that include priority pipe where Columbia's pipe is in a public right-of-way, and Columbia is required to relocate its facilities at the request of a governmental entity. Columbia may recover through Rider IRP such costs due to governmental relocations only if any plastic pipe associated with the relocation is less than or equal to 25% of the total footage relocated due to the governmental relocation.⁴

AMRP O&M SAVINGS AND INCREMENTAL CAPITAL COSTS

11. Columbia's annual Rider IRP adjustment filings to date have involved contentious issues regarding the amount of AMRP O&M savings to be credited to customers, as well as the recovery of project costs that otherwise would not have been included in Columbia's capital replacement program.⁵ The Parties believe that these contentious issues can be addressed by guaranteeing a minimum level of savings (which will be shown as a line item reduction in the annual revenue requirement calculation) to be credited to customers in future Rider IRP adjustment proceedings. The Parties further agree to resolve these issues (with respect to the Signatory Parties hereto) in Columbia's upcoming Rider IRP adjustment case⁶ as part of their agreement to this Stipulation.⁷ The Parties thus agree that the minimum level of AMRP O&M savings to be reflected as a

⁴ The Parties reserve the right to challenge the cost recovery of any governmental relocation project, through Rider IRP, on a project by project basis.

⁵ The Opinion and Order approving Columbia's existing IRP provided, "Columbia shall provide evidence in its annual Rider IRP applications to show that the rider was not used to recover the costs of projects that otherwise would have been included in its capital replacement program." Case Nos. 08-72-GA-AIR et al., Opinion and Order (December 3, 2008) at 14.

⁶ See footnote 2.

⁷ Notwithstanding the preceding statements, the parties reserve the right to raise in future proceedings the issue of whether savings greater than the minimum have been achieved.

reduction to the IRP Rider Rate that is collected from customers as determined in Columbia's annual Rider IRP adjustment cases shall be:

- For 2012 expenditures, the greater of Columbia's actual O&M savings⁸ or \$750,000.
- For 2013 expenditures, the greater of Columbia's actual O&M savings or \$1,000,000.
- For each year 2014 through 2017 expenditures, the greater of Columbia's actual O&M savings or \$1,250,000.

12. In light of the minimum AMRP O&M savings specified above, and in light of all the other provisions of this Stipulation, the Parties agree that for Columbia's Rider IRP adjustment cases covering investments for years 2012 through 2017, all such IRP projects completed during those years are not considered to be projects that otherwise would have been included in Columbia's capital replacement program and therefore, there should not be any adjustment to the IRP Rider rate on that basis (see footnote 5).

COMPLETION OF AMRD INSTALLATIONS

13. By December 31, 2012, Columbia shall submit for review by the Staff and other Parties a plan that outlines the steps Columbia will initiate on or before April 15, 2013, to complete the installation of Automatic Meter Reading Devices ("AMRD") on those inside meters that do not yet have AMRD. Implementation of the plan shall be considered complete when the plan has been docketed and AMRD have been installed on all active meters. If Columbia does not complete the installation of AMRD on all active meters by December 31, 2013, Columbia shall file an explanation for not completing such installations, a quantification of the associated impact on O&M savings, and its plans for completing such installations. The parties agree that Columbia will not seek IRP recovery for the cost of AMRD installed after December 31, 2013.

⁸ Actual O&M savings will be calculated using the methodology described on page 10 of the Direct Prepared Testimony of Columbia witness Edward A. Frantz, filed in this docket on May 8, 2012. This methodology provides that the four Columbia activities that should be included in the O&M savings calculation are: leak inspection, leak repair, general/other and one half of supervision and engineering. Each annual application shall compare Columbia's actual expenses incurred in each of the four categories against a baseline for the same activities for the twelve months ended September 30, 2008. Only those activities experiencing savings are included in the calculation of the O&M savings.

ANNUAL RIDER IRP ADJUSTMENT LIMIT

14. The monthly Rider IRP charge for Columbia's SGS and SGTS customers (SGS Class) based on data for Calendar Year 2013 shall not exceed \$6.20. The monthly IRP charge for the SGS Class based on data for Calendar Year 2014 shall not exceed \$7.20. The monthly IRP charge for the SGS Class based on data for Calendar Year 2015 shall not exceed \$8.20. The monthly IRP charge for the SGS Class based on data for Calendar Year 2016 shall not exceed \$9.20. The monthly IRP charge for the SGS Class based on data for Calendar Year 2017 shall not exceed \$10.20.

LOW-INCOME CUSTOMER ASSISTANCE FUND

15. A customer assistance fund was established as part of the settlement of Columbia's 2008 rate case (PUCO Case No. 08-72-GA-AIR et al.) The winter heating season of 2012-13 is the last winter heating season in which that customer assistance fund is available. The Parties to the instant case agree that the customer assistance fund should continue to be made available for five years in conjunction with the continuation of Columbia's alternative regulation plan. The continued customer assistance fund shall be made available over five winter heating seasons (2013-14 through 2017-18 winter heating seasons). Columbia shall provide \$2,562,500 to establish and administer a customer assistance fund available to aid low income customers in the payment of bills when all other available funds have been exhausted. The anticipated yearly split of the funds is \$512,500 per winter heating season. In the event that these customer assistance funds are not fully disbursed in any individual winter heating season, then any such unused customer assistance funds shall carryover to the next winter heating season with all such customer assistance funds, if used, to be disbursed no later than December 31, 2018. These disbursements during the 2013-14 through 2017-18 winter heating seasons will be funded by Columbia's shareholders and represent a reduction of Columbia's future revenues, to which Columbia agreed in order to facilitate a settlement of the instant cases. The disbursements are not a pass back of prior earnings and are not associated with any prior period activity, but are an agreed upon reduction of future revenues, and will not be recovered from Columbia's customers. The fuel fund will be operated in conjunction with the Ohio Development Services Agency and its network of agencies which provide customer assistance through the Emergency Home Energy Assistance Program, as is the current practice.

16. The Parties believe that this Stipulation represents a reasonable compromise of varying interests. This Stipulation is expressly conditioned upon adoption in its entirety by the Commission without material modification.⁹ Should the Commission reject or materially modify all or any part of this Stipulation, the Parties shall have the right, within thirty (30) days of issuance of the Commission's order, to file an application for rehearing or to terminate and withdraw from the Stipulation by filing a notice with the Commission in this proceeding, including service to all the Parties. The Parties agree that they will not oppose or argue against any other Party's application for rehearing that seeks to uphold the original unmodified Stipulation. Upon the Commission's issuance of any entry on rehearing that does not adopt the Stipulation without material modification, any party may terminate and withdraw from the Stipulation by filing a notice with the Commission within thirty (30) days of the Commission's entry on rehearing. Upon notice of termination or withdrawal by any party, pursuant to the above provisions, the Stipulation shall immediately become null and void. In such event, the Signatory Parties agree that all Parties should be provided an opportunity to file comments on Columbia's application. If the Commission further determines that a hearing is necessary all Parties will be given an opportunity to present testimony, cross examine witnesses and brief issues, which shall be decided based upon the record and briefs as if this Stipulation had never been executed.

17. This Stipulation is submitted for purposes of this proceeding only, and is not deemed binding in any other proceeding, nor is the Stipulation, or the Order approving the Stipulation, to be offered for or against any Signatory Party, except as necessary to enforce the terms of this Stipulation.

18. The Signatory Parties agree that all pre-filed testimony in this matter shall be deemed admitted into the record and all cross-examination of such witnesses will be waived, unless this Stipulation becomes null and void due to a material modification by the Commission.

19. The Signatory Parties stipulate, agree and recommend that the Commission issue a final Opinion and Order in this proceeding, ordering as follows:

⁹ Any Signatory Party has the right, in its sole discretion, to determine what constitutes a "material" change for purposes of that Party withdrawing from the Stipulation.

- A. The rates, terms and conditions agreed to in this Stipulation by all Signatory Parties are approved in accordance with §§ 4929.051(B) and 4929.11, Ohio Revised Code; and,
- B. The Application in this matter is adopted in accordance with the recommendations of the Signatory Parties, subject to the modifications set forth in the Stipulation.

WHEREFORE, the undersigned respectfully request that the Commission issue its Opinion and Order approving and adopting this Joint Stipulation and Recommendation in accordance with the terms set forth above.

AGREED THIS 26th DAY OF SEPTEMBER, 2012.

/s/ Stephen B. Seiple
Columbia Gas of Ohio, Inc.

By its attorney Stephen B. Seiple

/s/ Thomas Lindgren
(per email authorization 9/26/12)
Staff of the Public Utilities Commission
of Ohio

By its attorney Thomas Lindgren

/s/ Larry S. Sauer
(per email authorization 9/26/12)
Office of the Ohio Consumers' Counsel

By its attorney Larry S. Sauer

/s/ Colleen Mooney
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Ohio Partners for Affordable Energy

By its attorney Colleen Mooney

/s/ M. Anthony Long
(per email authorization 9/25/12)
Honda of America Mfg., Inc.

By its attorney M. Anthony Long

/s/ Chad A. Ensley
(per email authorization 9/25/12)
Ohio Farm Bureau Federation

By its attorney Chad A. Ensley

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Joint Stipulation and Recommendation was served upon all parties of record by electronic mail this 26th day of September, 2012.

/s/ Stephen B. Seiple

Stephen B. Seiple

Attorney for

COLUMBIA GAS OF OHIO, INC.

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Summary: Stipulation and Recommendation of the Office of the Ohio Consumers' Counsel, Ohio Partners for Affordable Energy, Honda of America Manufacturing, Inc., Staff, the Ohio Farm Bureau Federation, and Columbia Gas of Ohio, Inc. electronically filed by Cheryl A MacDonald on behalf of Columbia Gas of Ohio, Inc.