COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, MAY 17, 2016

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2016 MAY 17 P 4: 20

APPLICATION OF

COLUMBIA GAS OF VIRGINIA, INC.

CASE NO. PUE-2016-00033

For authority to increase rates and charges
and to revise the terms and conditions
applicable to gas service

ORDER FOR NOTICE AND HEARING

On April 29, 2016, Columbia Gas of Virginia, Inc. ("Columbia" or "Company"), filed with the State Corporation Commission ("Commission") an application pursuant to Chapter 10 of Title 56 (§ 56-232 *et seq.*) of the Code of Virginia ("Code") requesting authority to increase its rates and charges, effective for the first billing unit of October 2016, and to revise other terms and conditions applicable to its gas service ("Application"). Columbia's Application advises that the proposed rates and charges are designed to increase the Company's annual non-gas base revenues by approximately $37 million per year, which includes $7 million currently being collected by the Company outside of base rates in a surcharge associated with its Steps to Advance Virginia's Energy plan ("SAVE Plan") pursuant to § 56-603 *et seq.* ("SAVE Act").[1] Columbia states the requested increase in annual non-gas base revenues reflects its costs and revenues for the test year ending December 31, 2015, the increase in the Company's rate base since its last base rate increase in 2014,[2] an updated capital structure and requested return on equity of 11.25%, and certain rate year adjustments that "reasonably can be predicted to occur"

[1] Application at 1.

[2] *See Application of Columbia Gas of Virginia, Inc., For authority to increase rates and charges and to revise the terms and conditions applicable to gas service*, Case No. PUE-2014-00020, Doc. Con. Cen. No. 150840149, Final Order (Aug. 21, 2015) ("2014 Rate Case").

during the 12 months ending September 30, 2017 ("Rate Year"), as permitted by § 56-235.2 of the Code.[3]

According to the Application, in the time since Columbia was last authorized to increase its rates and charges in the 2014 Rate Case, Columbia has continued to make significant capital investments to improve the overall safety, reliability, and integrity of its natural gas system.[4] Columbia further states it will have incurred $160 million in capital costs to improve the safety and reliability of its system from January 1, 2015, through the end of 2016, and anticipates that it will invest $76 million in capital improvements during the Rate Year.[5] Columbia states a significant portion of the Company's capital investment subsequent to the 2014 Rate Case has occurred under its SAVE Plan,[6] which was implemented in 2012 and focuses on proactive replacement of at-risk gas utility infrastructure to enhance system safety and reliability.[7] In accordance with the SAVE Act, these costs that were previously approved pursuant to Columbia's SAVE Plan and are being collected in a surcharge outside of base rates, will be combined with non-gas base rates upon the effective date of those new rates, and the Company's SAVE surcharge will be reset to zero.[8]

Columbia states in its Application that, in the time since the 2014 Rate Case, the Company has continued to enhance pipeline safety and reliability through its formal integrity

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[3] Application at 5.

[4] *Id.* at 2.

[5] *Id.* at 2-3.

[6] *Id.* at 3.

[7] *See Application of Columbia Gas of Virginia, Inc., For approval of a SAVE plan and rider as provided by Virginia Code § 56-604*, Case No. PUE-2011-00049, 2011 S.C.C. Ann. Rept. 501, Order Approving SAVE Plan and Rider (Nov. 28, 2011).

[8] Application at 3; Direct Testimony of Brentley K. Archer at 2.

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management program for its distribution system ("DIMP"), by identifying, prioritizing, and reducing gas distribution pipeline integrity risks.[9] The Application states Columbia has incurred operations and maintenance costs associated with the implementation of the Company's DIMP initiatives as well as costs associated with compliance activities with federal pipeline safety advisories, collectively defined as "eligible safety activity costs" under § 56-235.10 of the Code.[10] Columbia asserts the incremental levels of these eligible safety activity costs, not reflected in existing base rates, totaled approximately $8 million in 2015, and is projected to total approximately $6 million during the Rate Year.[11] Columbia seeks, pursuant to § 56-235.10 of the Code, to recover, as deferred costs in new base rates, the incremental level of eligible safety activity costs not reflected in existing base rates.[12]

The Company further asserts that apart from DIMP activities, it anticipates increases in operations and maintenance costs above the 2015 levels associated with five safety related initiatives[13] focused primarily on emergency response, reducing third-party damages, and repairing open leaks.[14] The Company states it has incurred increased costs related to enhanced employee and contractor training requirements to meet increasingly stringent state and federal safety and operational compliance standards, as well as to meet the needs of a changing work

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[9] Application at 4.

[10] *Id.*

[11] *Id.*

[12] *Id.*

[13] The new safety-related initiatives are: (1) enhanced right-of-way maintenance; (2) remediation of post-1971 shallow transmission mains; (3) measurement and regulation station maintenance and repair; (4) enhanced emergency response; and (5) implementation of a Pipeline Safety Management System.

[14] Application at 4; Direct Testimony of Philip D. Wilson at 18.

force.[15] The Company also asserts it has experienced an increase in corporate service costs billed by its centralized services company.[16]

According to the Company this proposed rate increase would increase the average monthly bill of a typical residential customer using 5.8 dekatherms from approximately $65.74 to approximately $74.88, or by 13.90%.[17]

The Company requests the Commission grant a partial waiver of the requirements of 20 VAC 5-201-10, 20 VAC 5-201-20, and 20 VAC 5-201-90 of the Commission's Rules Governing Utility Rate Applications and Annual Informational Filings ("Rate Case Rules") with respect to the submission of 12 additional copies of Schedule 6 (Public Financial Reports)[18] with the Application due to its voluminous nature. The Company states it has provided one complete copy of Schedule 6 to the Commission's Document Control Center for purposes of public inspection and that the document is publicly available on the NiSource Inc. website.[19] The Company represents that it will provide hard copies to any parties upon request.[20]

NOW THE COMMISSION, having considered this matter, is of the opinion and finds that Columbia should provide notice of its Application; a public hearing should be scheduled for the purpose of receiving testimony and evidence on the Company's Application; a procedural schedule should be established to allow interested persons an opportunity to file written or

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[15] Direct Testimony of Brentley K. Archer at 7.

[16] *Id.*

[17] Application at 6; Direct Testimony of Mark P. Balmert at 28 and Attachment MPB-19 at 1.

[18] Schedule 6 comprises the NiSource Inc. 2015 Form 10-K (Annual Report).

[19] A copy of the NiSource Inc. 2015 Form 10-K (Annual Report) is available at: http://ir.nisource.com/annuals.cfm. NiSource Inc. is Columbia's parent company.

[20] Application at 10.

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electronic comments on the Company's Application or to participate in this proceeding as a respondent; and the Commission's Staff ("Staff") should be directed to investigate the Application and file testimony and exhibits containing its findings and recommendations thereon. We also find that a Hearing Examiner should be appointed to conduct all further proceedings in this matter on behalf of the Commission and to file a final report.

Accordingly, IT IS ORDERED THAT:

(1) This matter is docketed and assigned Case No. PUE-2016-00033.

(2) As provided by § 12.1-31 of the Code and Rule 5 VAC 5-20-120, *Procedures before hearing examiners*, of the Commission's Rules of Practice and Procedure ("Rules of Practice"),[21] a Hearing Examiner is appointed to conduct all further proceedings in this matter on behalf of the Commission and to file a final report.

(3) On or before July 16, 2016, Columbia shall file a bond with the Commission in the amount of $37 million payable to the Commission and conditioned to insure the prompt refund by the Company to those entitled thereto of all amounts the Company shall collect in excess of such rates and charges as the Commission may finally fix and determine.

(4) A public hearing on the Application shall be convened at 10 a.m. on December 13, 2016, in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to receive into the record the testimony of public witnesses and evidence of the Company, any respondents, and the Commission's Staff. Any person desiring to offer testimony as a public witness need only appear at the hearing location fifteen (15) minutes before the starting time of the hearing and identify himself or herself to the Commission's Bailiff.

[21] 5 VAC 5-20-10 *et seq.*

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(5) The Company shall make copies of its Application, as well as a copy of this Order for Notice and Hearing, available for public inspection during regular business hours at each of the Company's business offices in the Commonwealth of Virginia. A copy also may be obtained by submitting a written request to counsel for Columbia, T. Borden Ellis, Esquire, Columbia Gas of Virginia, Inc., 1809 Coyote Drive, Chester, Virginia 23836. If acceptable to the requesting party, the Company may provide the documents by electronic means. Copies of the public version of all documents filed in this case also shall be available for interested persons to review in the Commission's Document Control Center located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons may also download unofficial copies from the Commission's website: http://www.scc.virginia.gov/case.

(6) On or before June 30, 2016, Columbia shall cause the following notice to be published as display advertising (not classified) on one (1) occasion in newspapers of general circulation throughout the Company's Virginia service territory:

NOTICE TO THE PUBLIC OF
COLUMBIA GAS OF VIRGINIA, INC.'S
APPLICATION FOR AUTHORITY TO INCREASE
RATES AND CHARGES AND TO REVISE THE TERMS
AND CONDITIONS APPLICABLE TO GAS SERVICE
CASE NO. PUE-2016-00033

On April 29, 2016, Columbia Gas of Virginia, Inc. ("Columbia" or "Company"), filed with the State Corporation Commission ("Commission") an application pursuant to Chapter 10 of Title 56 (§ 56-232 *et seq.*) of the Code of Virginia ("Code") requesting authority to increase its rates and charges, effective for the first billing unit of October 2016, and to revise other terms and conditions applicable to its gas service ("Application"). Columbia's Application advises that the proposed rates and charges are designed to increase the Company's annual non-gas base revenues by approximately $37 million per year, which includes $7 million currently being collected by the Company outside of

base rates in a surcharge associated with its Steps to Advance Virginia's Energy plan ("SAVE Plan") pursuant to § 56-603 *et seq.* ("SAVE Act"). Columbia states the requested increase in annual non-gas base revenues reflects its costs and revenues for the test year ending December 31, 2015, the increase in the Company's rate base since its last base rate increase in 2014 ("2014 Rate Case"), an updated capital structure and requested return on equity of 11.25%, and certain rate year adjustments that "reasonably can be predicted to occur" during the 12 months ending September 30, 2017 ("Rate Year"), as permitted by § 56-235.2 of the Code.

According to the Application, in the time since Columbia was last authorized to increase its rates and charges in the 2014 Rate Case, Columbia has continued to make significant capital investments to improve the overall safety, reliability, and integrity of its natural gas system. Columbia further states it will have incurred $160 million in capital costs to improve the safety and reliability of its system from January 1, 2015, through the end of 2016, and anticipates that it will invest $76 million in capital improvements during the Rate Year. Columbia states a significant portion of the Company's capital investment subsequent to the 2014 Rate Case has occurred under its SAVE Plan, which was implemented in 2012 and focuses on proactive replacement of at-risk gas utility infrastructure to enhance system safety and reliability. In accordance with the SAVE Act, these costs that were previously approved pursuant to Columbia's SAVE Plan and are being collected in a surcharge outside of base rates, will be combined with non-gas base rates upon the effective date of those new rates, and the Company's SAVE surcharge will be reset to zero.

Columbia states in its Application that, in the time since the 2014 Rate Case, the Company has continued to enhance pipeline safety and reliability through its formal integrity management program for its distribution system ("DIMP"), by identifying, prioritizing, and reducing gas distribution pipeline integrity risks. The Application states Columbia has incurred operations and maintenance costs associated with the implementation of the Company's DIMP initiatives as well as costs associated with compliance activities with federal pipeline safety advisories, collectively defined as "eligible safety activity costs" under § 56-235.10 of the Code. Columbia asserts the incremental levels of these eligible safety activity costs, not reflected in existing base rates, totaled approximately $8 million in 2015, and is projected to total approximately $6 million during the Rate Year. Columbia seeks, pursuant to § 56-235.10 of the Code, to recover, as deferred

costs in new base rates, the incremental level of eligible safety activity costs not reflected in existing base rates.

The Company further asserts that apart from DIMP activities, it anticipates increases in operations and maintenance costs above the 2015 levels associated with five safety related initiatives focused primarily on emergency response, reducing third-party damages, and repairing open leaks. The Company states it has incurred increased costs related to enhanced employee and contractor training requirements to meet increasingly stringent state and federal safety and operational compliance standards, as well as to meet the needs of a changing work force. The Company also asserts it has experienced an increase in corporate service costs billed by its centralized services company.

According to the Company this proposed rate increase would increase the average monthly bill of a typical residential customer using 5.8 dekatherms from approximately $65.74 to approximately $74.88, or by 13.90%.

Interested persons are encouraged to review the Application and supporting documents for the details of these and other proposals. While the total revenue that may be approved by the Commission is limited to the amount produced by the Company's proposed rates, TAKE NOTICE that the Commission may approve revenues, and adopt rates, fees, charges, tariff revisions, and terms and conditions of service that differ from those appearing in the Application and supporting documents and may apportion revenues among customer classes and/or design rates in a manner differing from that shown in the Application and supporting documents.

The Commission entered an Order for Notice and Hearing that, among other things, permits the Company to place its proposed rates, charges, and terms and conditions of service into effect on an interim basis, subject to refund, for the first billing unit of October 2016.

The Commission's Order for Notice and Hearing scheduled a public hearing at 10 a.m. on December 13, 2016, in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to receive the testimony of public witnesses and the evidence of the Company, any respondents, and the Commission's Staff. Any person desiring to testify as a public witness should appear at the

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hearing location fifteen (15) minutes prior to the starting time of the hearing and contact the Commission's Bailiff.

Copies of the public version of all documents filed in this case are available for interested persons to review in the Commission's Document Control Center located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website: http://www.scc.virginia.gov/case.

Copies of the Company's Application and the Commission's Order for Notice and Hearing also may be inspected during regular business hours at each of the Company's business offices in the Commonwealth of Virginia. Copies of these documents also may be obtained, at no charge, by submintting a written request to counsel for the Company: T. Borden Ellis, Esquire, Columbia Gas of Virginia, Inc., 1809 Coyote Drive, Chester, Virginia 23836. If acceptable to the requesting party, the Company may provide the documents by electronic means.

On or before December 5, 2016, any interested person may file written comments on the Company's Application with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Interested persons desiring to submit comments electronically may do so on or before December 5, 2016, by following the instructions found on the Commission's website: http://www.scc.virginia.gov/case. Compact discs or any other form of electronic storage medium may not be filed with the comments. All such comments shall refer to Case No. PUE-2016-00033.

Any person or entity may participate as a respondent in this proceeding by filing a notice of participation in this proceeding on or before September 5, 2016. If not filed electronically, an original and fifteen (15) copies of a notice of participation shall be filed with the Clerk of the Commission at the address set forth above. A copy of the notice of participation shall be sent to counsel for Columbia at the address set out above. Pursuant to Rule 5 VAC 5-20-80, *Participation as a respondent*, of the Commission's Rules of Practice and Procedure ("Rules of Practice"), any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the

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factual and legal basis for the action. Any organization, corporation, or government body participating as a respondent shall be represented by counsel as required by Rule 5 VAC 5-20-30, *Counsel*, of the Rules of Practice. All filings shall refer to Case No. PUE-2016-00033. For additional information about participation as a respondent, any person or entity should obtain a copy of the Commission's Order for Notice and Hearing.

The Commission's Rules of Practice may be viewed at the Commission's website: http://www.virginia.scc.gov/case. A printed copy of the Commission's Rules of Practice and an official copy of the Commission's Order for Notice and Hearing in this proceeding may be obtained from the Clerk of the Commission at the address set forth above.

COLUMBIA GAS OF VIRGINIA, INC.

(7) On or before June 30, 2016, Columbia shall serve a copy of its Application and this Order for Notice and Hearing on the chairman of the board of supervisors and county attorney of each county and upon the mayor or manager (or equivalent official) and city or town attorney of every city and town in which Columbia provides service in the Commonwealth of Virginia. Service shall be made by either personal delivery or first class mail to the customary place of business or residence of the person served.

(8) On or before July 15, 2016, Columbia shall file proof of the notice and service required by Ordering Paragraphs (6) and (7), including the name, title, and address of each official served with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118.

(9) On or before December 5, 2016, any interested person may file written comments on the Application with the Clerk of the Commission at the address set forth in Ordering Paragraph (8). Any interested person desiring to file comments electronically may do so on or before December 5, 2016, by following the instructions found on the Commission's website: http://www.scc.virginia.gov/case. Compact discs or any other form of electronic storage

medium may not be filed with the comments. All comments shall refer to Case No. PUE-2016-00033.

(10) On or before September 5, 2016, any person or entity may participate as a respondent in this proceeding by filing a notice of participation. If not filed electronically, an original and fifteen (15) copies of a notice of participation shall be filed with the Clerk of the Commission at the address in Ordering Paragraph (8), and each respondent shall serve a copy of the notice of participation on counsel to Columbia at the address set forth in Ordering Paragraph (5). Pursuant to Rule 5 VAC 5-20-80 B, *Participation as a respondent*, of the Commission's Rules of Practice, any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Any organization, corporation, or government body participating as a respondent shall be represented by counsel as required by 5 VAC 5-20-30, *Counsel*, of the Rules of Practice. All filings shall refer to Case No. PUE-2016-00033.

(11) Within five (5) business days of receipt of a notice of participation as a respondent, the Company shall serve upon the respondent a copy of this Order for Notice and Hearing, a copy of the Application, and all materials filed by the Company with the Commission, unless these materials already have been provided to the respondent.

(12) On or before October 17, 2016, each respondent may file with the Clerk of the Commission at the address set forth in Ordering Paragraph (8) and serve on the Staff, the Company, and all other respondents, any testimony and exhibits by which the respondent expects to establish its case, and each witness's testimony shall include a summary not to exceed one page. If not filed electronically, an original and fifteen (15) copies of such testimony and

exhibits shall be filed with the Clerk of the Commission at the address set forth in Ordering Paragraph (8). In all filings, respondents shall comply with the Commission's Rules of Practice, including, but not limited to: 5 VAC 5-20-140, *Filing and service*; 5 VAC 5-20-150, *Copies and format*; and 5 VAC 5-20-240, *Prepared testimony and exhibits*. All filings shall refer to Case No. PUE-2016-00033.

(13) The Staff shall investigate the Application. On or before November 8, 2016, the Staff shall file with the Clerk of the Commission an original and fifteen (15) copies of testimony and exhibits concerning the Application, and each Staff witness's testimony shall include a summary not to exceed one page. The Staff shall serve a copy thereof on counsel to the Company and all respondents.

(14) On or before November 22, 2016, Columbia shall file with the Clerk of the Commission any rebuttal testimony and exhibits that it expects to offer, and each rebuttal witness's testimony shall include a summary not to exceed one page. The Company shall serve a copy thereof on the Staff and all respondents. It not filed electronically, an original and fifteen (15) copies of such rebuttal testimony and exhibits shall be filed with the Clerk of the Commission at the address set forth in Ordering Paragraph (8).

(15) The Commission's Rule of Practice 5 VAC 5-20-260, *Interrogatories to parties or requests for production of documents and* things, shall be modified for this proceeding as follows: responses and objections to written interrogatories and requests for production of documents shall be served within seven (7) business days after receipt of the same. In addition to the service requirements of 5 VAC 5-20-260 of the Rules of Practice, on the day that copies are filed with the Clerk of the Commission, a copy of the interrogatory or request for production shall be served electronically, or by facsimile, on the party to whom the interrogatory or request

for production is directed or the assigned Staff attorney, if the interrogatory or request for production is directed to the Staff.[22] Except as modified above, discovery shall be in accordance with Part IV of the Commission's Rules of Practice, 5 VAC 5-20-240 *et seq.*

(16) Columbia may implement its proposed rates on an interim basis, subject to refund with interest, for service rendered on and after the first billing unit of October 2016.

(17) Columbia is granted a waiver from the requirement set forth in 20 VAC 5-201-10 I of the Rate Case Rules that the Company file an original and 12 copies of Schedule 6 with its Application. The Company may file one original paper copy of Schedule 6 with the Clerk of the Commission and shall provide hard copies to any party upon request.

(18) This matter is continued.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: T. Borden Ellis, Esquire, Columbia Gas of Virginia, Inc., 1809 Coyote Drive, Chester, Virginia 23836; Vishwa B. Link, Esquire, Anne Hampton Andrews, Esquire, and Elaine S. Ryan, Esquire, McGuireWoods LLP, One James Center, 800 East Canal Street, Richmond, Virginia 23219-4030; and C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of the Attorney General, 202 North Ninth Street, Richmond, Virginia 23219. A copy shall be delivered to the Commission's Office of General Counsel and Divisions of Energy Regulation, Utility Accounting and Finance, and Utility and Railroad Safety.

[22] The assigned Staff attorney is identified on the Commission's website, http://www.scc.virginia.gov/case, by clicking "Docket Search," then "Search Cases," and entering the case number, PUE-2016-00033, in the appropriate box.

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