

November 28, 2016



Dear Public Official:

A NiSource Company

As it has for several years, Columbia Gas of Ohio in 2016 is investing in infrastructure replacement programs that benefit both our customers and your community.

In addition, Columbia continues to make substantial investments in energy efficiency (Demand Side Management, or DSM) programs that help our customers save money on their energy bills.

As authorized by the Public Utilities Commission of Ohio (PUCO) in its Opinion and Order in Case Nos. 08-72-GA-AIR and 11-5515-GA-ALT, Columbia may recover certain infrastructure and energy efficiency investments made in the previous calendar year. Columbia will soon make its annual filings with the PUCO to set rates for its Infrastructure Replacement Program Rider (Rider IRP) and the Demand Side Management Rider (Rider DSM).

In February, our application will request an increase of an estimated \$33.0 million, to be collected through the Rider IRP, beginning May 2017. The Rider IRP increase will raise bills by \$1.35 per month for residential customers and represents a 2.1 percent increase on typical residential bills based on average monthly consumption. Columbia's application will also request an increase of an estimated \$0.5 million to cover DSM program costs. On average, Rider DSM will not represent an increase to residential bills. For a list of the rate impact on all rate classes, see the enclosed insert.

Under its Infrastructure Replacement Program, Columbia is replacing aged cast iron, wrought iron, unprotected coated steel and bare steel distribution pipe, as well as hazardous customer service lines. Also included in the Infrastructure Replacement Program are the repair or replacement of 320,000 prone-to-failure risers (completed in 2012) and the installation of more than 1.4 million automated meter reading devices (AMRD) on all residential and commercial meters (completed in 2013).

Replacing our aged distribution main with modern pipe produces several benefits for our customers and our communities:

- It reduces leaks, which enhances the safety of our system and means we have to dig up streets, sidewalks and lawns less often.
- It allows us to operate distribution systems at higher pressures, which keeps water from infiltrating lines and disrupting service, and better supports economic development in older neighborhoods.
- It lowers our operating and maintenance costs, and these savings get passed on to our customers.
- It creates local construction jobs and increases local tax revenue.

Our IRP program produces other customer benefits as well:

- It addresses a riser safety issue identified by the PUCO and relieves the impacted customers of hundreds of dollars in repair or replacement costs. Prior to 2008, risers were customer-owned equipment.
- It relieves customers of repair bills in the hundreds or thousands of dollars if their customer service line develops a hazardous leak. Prior to 2008, these service lines were customer-owned equipment.
- The installation of AMRDs means that our customers with indoor gas meters no longer have to make access arrangements for our meter readers, and full AMRD deployment has allowed Columbia to do actual meter readings every month, eliminating bi-monthly estimated reads, which were a significant source of customer service complaints.
- Full deployment of AMRDs has resulted in substantial meter reading cost savings that are being passed on to customers through this program.

Our DSM programs produce both up-front and long-term savings for our customers. The up-front discounts include free or rebated programmable thermostats; high-efficiency showerheads; home energy audits; attic and wall insulation; air sealing; and high-efficiency natural gas heating equipment, as well as whole house weatherization for low-income customers. The installation of such energy-saving measures results in long-term savings on natural gas bills.

The DSM portfolio of programs also includes a behavioral program which provides home energy reports to customers about their home energy usage and ways they can improve their energy efficiency. The portfolio also includes a residential new construction program, an energy efficiency education program for students, an online energy audit, a small commercial construction program, and a program that provides commercial customers with energy-conservation opportunities for energy-efficiency projects.

Through September 2016, Columbia has performed more than 36,100 home energy audits and nearly 50% of the customers who have had audits have elected to make energy-efficiency improvements to their homes through the Home Performance Solutions program. Over 9,400 new homes have been built through the ENERGY STAR® New Homes (now EfficiencyCrafted® Homes) program that provides rebates to Ohio homebuilders to construct homes that exceed the energy efficiency levels of code-built homes. Since 2009, over 14,200 low-income households have received free whole-house weatherization through Columbia's WarmChoice® program. Through the Simple Energy Solutions program, customers have received rebates on over 44,700 energy-efficient showerheads, over 25,800 programmable thermostats, and over 12,700 energy-efficient faucet aerators.

In addition, approximately 103,000 students will be educated by the end of 2016 on the benefits of energy efficiency and will receive a kit of energy efficiency measures to install at their home through the e³ smart program. Columbia will also provide approximately 430,000 residential customers with home energy reports in 2016 that will provide them with customized reports on their energy usage and energy saving recommendations. Columbia has also provided over 15,900 rebates to customers to purchase high efficiency natural gas furnaces and boilers through its high efficiency heating system replacement program.

Columbia is not currently recovering its 2016 investments in these programs through its distribution rates. The actual Rider IRP and Rider DSM rates are subject to PUCO approval. You are not required to take any action, but should you wish to view our pre-filing notice or any other public documents in this case, you may visit the PUCO's online Docketing Information System at www.puco.ohio.gov, and review the filings made for Case No. 16-2236-GA-RDR.

We are committed to providing outstanding customer service and to maintaining strong relationships with the communities we serve. If you have any questions about our rate adjustment, please contact Jana Croom, Director of Regulatory Affairs, at (614) 460-4647.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel Creekmur". The signature is fluid and cursive, with a large initial "D" and "C".

Daniel Creekmur
President
Columbia Gas of Ohio

Enclosures

Rate Impact Sheet

Columbia Gas of Ohio, Inc.
Case No. 16-2236-GA-RDR
Summary of Rate Increase by Class
Effective May 2017

Infrastructure Replacement Program Rider

REQUESTED REVENUE INCREASE **\$33,038,969**

Small General Service Rate Increase **Monthly Increase**
\$1.35

Includes:

- Small General Sales Service
- Small General Sales Service-Schools
- Small General Transportation Service
- Full Requirements Small General Transportation Service

General Service Monthly Rate Increase **\$20.46**

Includes:

- General Service
- General Service - Schools
- General Transportation Service
- General Transportation Service - Schools
- Full Requirement General Transportation Service
- Full Requirement General Transportation Service - Schools

Large General Service Monthly Rate Increase **\$505.66**

Includes:

- Large General Sales Service
- Large General Transportation Service
- Full Requirements Large General Transportation Service
- Full Requirements Large General Transportation Service
- Large General Transportation Service - Mainline

Demand Side Management Rider

REQUESTED REVENUE INCREASE **\$539,552**

Small General Service
Volumetric Rate Increase (per MCF) **(\$0.0007)**
Annual Increase, typical customer **(\$0.06)**

Includes:

- Small General Sales Service
- Small General Sales Service-Schools
- Small General Transportation Service
- Full Requirements Small General Transportation Service