American Gas Association

NATURAL GAS Rate Round-Up

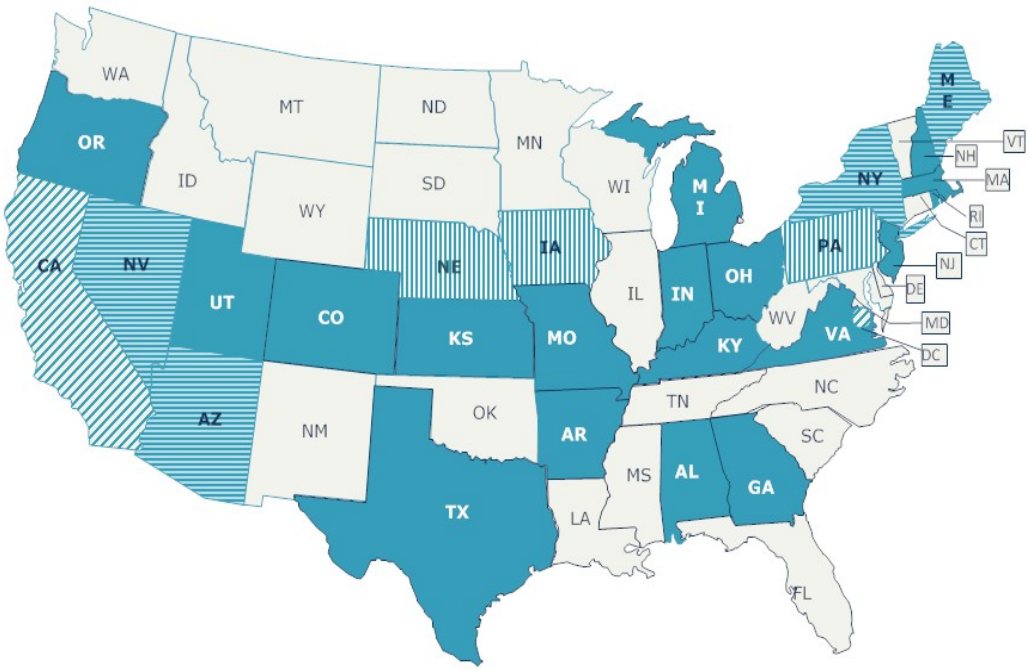
A Periodic Update on Innovative Rate Designs

June 2012

INFRASTRUCTURE COST RECOVERY UPDATE

In 2007, when AGA published its first report on infrastructure cost recovery methods, 15 natural gas utilities in 11 states serving 8 million residential natural gas customers were using innovative rate structures that allowed them to modify tariffs and recover the costs of investments in utility replacement incurred between rate cases. Since that time, the use of these advanced regulatory mechanisms has tripled. Today, 47 utilities in 22 states serving 24 million residential natural gas customers are using full or limited special rate mechanisms to recover their replacement infrastructure investments, and 5 utilities have mechanisms pending in another state and the District of Columbia. Ten states have enacted legislation or issued generic regulations that give utilities in three additional states the authority to implement these mechanisms. A further 14 utilities in 7 states are recovering these investments using rate stabilized tariffs. Together, these regulatory programs are helping natural gas utilities maintain safe and reliable service to more than 30 million of the nation's 65 million residential natural gas customers.

STATES WITH INFRASTRUCTURE COST RECOVERY RATE MECHANISMS



THE CHALLENGES OF INFRASTRUCTURE COST RECOVERY

Under traditional cost of service based ratemaking, the costs of natural gas utility infrastructure investments are recovered after the investment is in the ground and the regulator has approved the costs in a rate case. This system produces a significant lag between when the dollars are spent for infrastructure replacement and when the company begins to recover these expenditures in rates. In addition, while investments made to serve new customers or to deliver additional volumes of gas generate additional revenue, expenditures made to refurbish or to replace aging infrastructure do not produce incremental revenue.

Timely cost recovery of prudently incurred safety and reliability investments is of utmost importance to the financial stability of natural gas utilities. Because traditional ratemaking allows recovery of infrastructure investments only following approval in a rate case, there is often a multi-year delay before the recovery of such investments begins. Investments that are recovered long after they are incurred cause the utility to bear carrying costs without the opportunity to recover these prudent expenditures. Credit agencies criticize companies with lag in the recovery of their costs and assign a lower credit rating to such utilities that ultimately translates into higher rates for customers. The only alternative is to file a rate case each year, which is a costly activity that also leads to higher rates for customers.

RATE DESIGN SOLUTIONS

States have been encouraging natural gas companies to increase the investment levels necessary to maximize the safety and reliability of their systems. Since 2003, ten states have implemented new statutes or generic utility regulations concerning cost recovery of replacement and repair of natural gas infrastructures, and more than half of state regulatory commissions now allow utilities to use expense trackers or accounting deferrals to recover costs of infrastructure investments in a timely manner. These rate mechanisms reduce the costs associated with filing rate cases while reducing the regulatory lag associated with recovery of infrastructure investments. In addition, the mechanisms recognize that replacement investments will not lead to sales of additional volumes of natural gas that might otherwise have been expected to help recover the investments' cost.

Several rate design options are available for recovering expenses associated with replacing pipelines and other infrastructure that utilities incur after rates have been set. Trackers, surcharges, and rate stabilization mechanisms recover costs in the time period in which they are incurred, while deferral accounts delay the recovery of investments, and usually, carrying costs, until a future period. These mechanisms provide greater transparency and accountability than do traditional ratemaking methods. Infrastructure cost recovery mechanisms typically require that program funds be used exclusively for repair, replacement and improvements to pipelines and associated infrastructure, and that regulatory staff periodically audit program spending. Pre-program budget approval and after-the-fact prudency reviews are customary features of the regulatory approval process for these mechanisms.

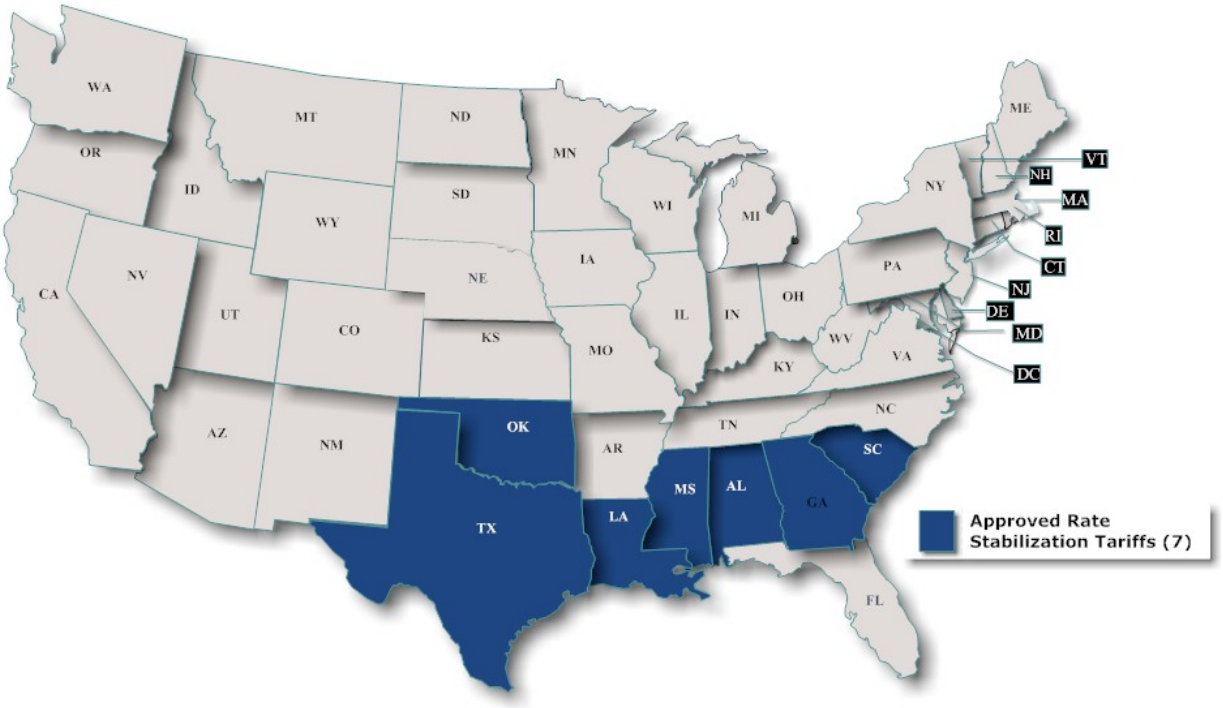
Tracker – A rate tracker is an example of an adjustment clause, a regulatory mechanism that allows a utility's rates to fluctuate in response to changes in operating costs or conditions, as they occur. Adjustment clauses have been in use since World War I, when the electric industry introduced them due to significant increases in the price of coal. Trackers may be automatic, actuated without the need for a formal rate hearing, or they may require additional regulatory review before they go into effect. Trackers allow the utility to adjust its tariff to facilitate the timely recovery of the capital costs, depreciation expense, and property taxes associated with the company's infrastructure investment program.

Surcharge to Rates – The most frequently used cost recovery method for infrastructure replacement cost programs is the surcharge to rates. A rate surcharge is a temporary adjustment to the customer bill that raises rates for a limited time by a fixed amount. Unlike the tracker, which allows the utility to recover ALL costs associated with infrastructure replacement, a surcharge limits the total amount of program cost recovery.

Deferral Account - Another option is the deferred accounting alternative. Using this approach, the utility treats infrastructure investment costs that are not included in the utility's existing rates in a segregated manner, thereby establishing a special deferred account. Generally, state authorities require a determination that the costs have been incurred prudently and have been accounted for properly. Often, these costs are deferred until the next rate case, at which time the costs are then amortized, recovered in rates, and the account balances are reduced or eliminated. In many cases, the assets in the deferral accounts accrue interest, and the interest is also amortized and recovered later in rates. The regulator may place limits on the amount or type of infrastructure costs that may be accrued, and on the time period over which the amortization may occur, and may require a showing of prudence in the incurring of specific costs.

Alternative Rate Design Method: Rate Stabilization – Rate stabilization is one of several rate designs that decouple the link between the volumes of gas consumed by a utility's customers and the revenues and cost recovery of the utility. A rate stabilization tariff operates much like a tracking mechanism since changes in ALL costs, including infrastructure investments, are tracked and flowed through to customers. With rate stabilization, rates are adjusted annually for new infrastructure replacement costs, as well as for costs for new construction. Utilities in seven states, serving 6 million customers, use this option to recover the incremental costs of new and replacement infrastructure investment. AGA discussed this rate design in a previous Rate Round-Up report, ***Rate Stabilization Mechanisms***.

STATES WITH RATE STABILIZATION TARIFFS



Related Programs: Pipeline Integrity Management - Related to programs that provide for the replacement of cast iron and bare steel infrastructure are programs that recover the costs of maintaining and improving pipeline integrity. Concerned about the magnitude of pipeline integrity management costs that were mandated by the Pipeline Safety Improvement Act (PSIA) of 2002, several utilities implemented rate options similar to the trackers, surcharges, and deferral accounts that are used to recover infrastructure investment costs. Some of these programs existed for a short time period (1-5 years) and have now expired, while other programs were wrapped into later infrastructure investment recovery programs and continue to recover expenses related to pipeline integrity management. Where pipeline integrity management program costs are still being recovered separately or have been subsumed into an infrastructure recovery program, program descriptions later in this report make a special note. AGA discussed cost recovery of these programs in the report, ***Rate Round-Up: Pipeline Integrity Management Cost Recovery***.

FULL INFRASTRUCTURE COST RECOVERY RATE MECHANISMS

1. Ameren Missouri
2. Atlanta Gas Light - GA
3. Atmos Energy – GA
4. Atmos Energy – KS
5. Atmos Energy– KY
6. Atmos Energy – MO
7. Atmos Energy – TX
8. Avista Corp. - OR
9. Black Hills Energy – KS
10. CenterPoint Energy - AR
11. CenterPoint Energy -TX
12. Columbia Gas Kentucky
13. Columbia Gas Massachusetts
14. Columbia Gas Ohio
15. Columbia Gas Virginia
16. Delta Natural Gas - KY
17. Dominion East Ohio
18. Duke Energy Kentucky
19. Duke Energy Ohio
20. Elizabethtown Gas – NJ
21. Kansas Gas Service
22. Laclede Gas - MO
23. Missouri Gas Energy
24. Mobile Gas Service - AL
25. National Grid Energy North - NH
26. National Grid Narragansett Gas - RI
27. National Grid Massachusetts
    NE – All Natural Gas Utilities May Apply
28. New England Gas - MA
29. New Jersey Natural Gas
30. NW Natural – OR
    PA - All Natural Gas Utilities May Apply
31. Public Service Co. of Colorado
32. Public Service Electric and Gas - NJ
33. Questar Gas - UT
34. SEMCO Energy - MI
35. South Jersey Gas
36. Texas Gas Service
37. Vectren North – Indiana Gas
38. Vectren Ohio
39. Vectren South – SIGECO
40. Washington Gas – VA

LIMITED INFRASTRUCTURE COST RECOVERY RATE MECHANISMS

1. Corning Natural Gas - NY
   Iowa- All Natural Gas Utilities May Apply
2. National Grid Long Island – NY
3. National Grid Niagara Mohawk - NY
4. National Grid New York City
5. Northern Utilities – ME
6. Southwest Gas – AZ
7. Southwest Gas - NV

PENDING INFRASTRUCTURE COST RECOVERY RATE MECHANISMS

1. Michigan Consolidated – MI
2. San Diego Gas and Electric - CA
3. Southern California Gas
4. Southwest Gas - NV
5. Washington Gas - DC

CURRENT RATE STABILIZATION TARIFFS

1. Alabama Gas
2. Atmos Energy - GA
3. Atmos Energy – LA
4. Atmos Energy – MS
5. Atmos Energy – TX
6. CenterPoint Energy – LA
7. Centerpoint Energy – MS
8. CenterPoint Energy – OK
9. CenterPoint Energy – TX
10. Entergy – LA
11. Mobile Gas – AL
12. Oklahoma Natural Gas
13. Piedmont Natural Gas – SC
14. South Carolina Electric and Gas

STATES WITH LEGISLATION OR GENERIC REGULATORY MECHANISMS

1. **Iowa - 2011**
2. **Kansas - 2006**
3. **Kentucky - 2005**
4. **Missouri - 2003**
5. **Nebraska - 2009**
6. **New Jersey - 2009**
7. **Pennsylvania - 2012**
8. **Rhode Island - 2010**
9. **Texas – 2003 and 2011**
10. **Virginia - 2010**

SUMMARY

Maintaining the safety and reliability of the nation's natural gas pipeline system remains the number one priority for AGA and its member utilities. Natural gas utilities annually incur billions of dollars in normal maintenance, safety, and operating expenses, and they recover these costs from customers in rates. Utilities also invest billions annually in system repairs, renovations, and new construction, but these new investments often are deferred until the next utility rate case. In 2011, natural gas utilities invested nearly $6 billion in their distribution systems.

Congress, the U.S. Department of Transportation, and state commissions are devoting greater attention to the need for additional investment in the infrastructure required to maintain and improve the safety and reliability of the distribution network. More than half of the states now allow utilities to recover the costs incurred between rate cases associated with replacing aging infrastructure, and ten states have implemented legislation or state-wide regulatory programs to comprehensively address infrastructure issues. Rate surcharges, cost trackers, and deferral accounts are rate mechanisms that specifically address infrastructure investment cost recovery, while rate stabilization is a type of rate design that is more general and recovers infrastructure investment as well as other costs incurred between rate cases. Twenty-two states have implemented infrastructure cost recovery mechanisms, and rate stabilization tariffs provide accelerated cost recovery in seven states. Together, these programs help utilities maintain safe and reliable service to more than 30 million of the nation's 65 million residential natural gas customers.

DESCRIPTIONS OF PROGRAMS AND LEGISLATION

Alabama – Mobile Gas Service – Docket No. 24794

Mobile Gas' Cast Iron Main Replacement Factor was approved by the Alabama Public Service Commission on November 27, 1995, as part of the company's general rate case. The program recovers the annual revenue requirement level of depreciation, taxes, and return associated with cast iron main replacements, adjusted for cumulative cast iron main retirements. The tracking mechanism is applied to all rate classes and is updated annually for incremental investment in cast iron main replacements.

Arizona – Limited Program Southwest Gas – Docket No. G-01551A-10-0458

Southwest Gas Corporation's January 6, 2012 rate case settlement provides for implementation of the Customer Owned Yard Line (COYL) replacement program. A normal service line configuration is one in which a meter is located adjacent to the housing structure and the service line from the meter to the gas main is owned and maintained by the utility. In contrast, approximately 100,000 of Southwest's customers have line configurations where the meter is located at or near the customer's property line near the gas main and the service line from the meter to the residence is owned by the customer or property owner. For these customers, responsibility for service line (yard line) maintenance is borne by the customers.

Pursuant to Southwest's COYL replacement program, over a three year period, the company will survey all COYLs for leaks and if leaks are found, the company will replace the COYL with a normal service line configuration. Subject to an annual reporting requirement, Southwest will be permitted to recover an amount approximately equal to the revenue requirement associated with the additional plant had it been in rate base during the test year. The mechanism will utilize a surcharge and all rate classes will be included. The surcharge is capped annually at one cent per therm.

Arkansas – CenterPoint Energy Southern Operations – Dockets 06-161-U and 10-108-U

CenterPoint's main replacement program is a tracker that applies to the replacement of bare steel mains, cast iron mains, and associated services. The company's Gas Main Replacement Program (GMRP) first became effective on January 1, 1988. The GMRP gave CenterPoint a return on its capital investment between rate cases as an incentive to replace, rather than repair, cast iron and other gas mains. On December 18, 1992, the program was modified to include recovery of capital investment (depreciation) and an offset to reflect O&M savings, the scope was expanded to include all cast iron gas main and related services, and the tariff was renamed the Cast Iron Gas Main Replacement Program (CIGMRP). The program was again modified to include bare steel and associated services and was renamed the Main Replacement Program, effective September 21, 2002.

The tracker is adjusted monthly with a commission filing and is collected from all classes of service through a volumetric charge. There is no true-up. A rate case is not required; however, when a general rate case is filed, expenditures are moved from tracking account to base rates. There is no term limit to the program, but the estimated completion date is 2026, based on the assumed funding and replacement amounts as shown in the company's 2010 Main Replacement Program Annual Report.

Colorado – Public Service Co. of Colorado – Docket No. 10AL-963G

On September 1, 2011, Public Service Company of Colorado received approval from the Colorado Public Utilities Commission to implement a pipeline system integrity adjustment tracker to recover costs associated with reliability improvements and compliance with certain federal safety regulations. Most of the program covers replacement pipe, but some upsizing

pipe for transmission lines and changes to increase pressure systems (from inches to 60 psi systems, as an example), is also included when there is a concurrent safety and reliability concern. Projected costs of eligible program and projects during the upcoming calendar year are filed on October 1, and the mechanism is adjusted annually on January 1. No rate case is required to implement the mechanism.

Georgia – Atlanta Gas Light – Docket No. 8516-U

In 1998, Atlanta Gas Light began a 15-year Pipeline Replacement Program (PRP) to replace more than 2,300 miles of bare steel and cast iron natural gas pipeline in Georgia. In the early years, the Georgia Public Service Commission annually reviewed the company's infrastructure replacement expenses from the previous year and then approved a new surcharge amount. Halfway through the program, the commission agreed to a fixed dollar amount of expense to be recovered in rates over the remaining seven years of the program.

In 2009, Atlanta Gas Light significantly expanded the replacement program to include investments for infrastructure to serve new customers and expand service. The Strategic Infrastructure Development and Enhancement program merged with the company's existing PRP and allows the company to invest $400 million over the next ten years in infrastructure improvements. Those improvements include upgrading the backbone of the utility's distribution system and liquefied natural gas facilities to improve system reliability and create a platform to meet forecasted growth. The program was further expanded in 2010 and allows Atlanta Gas Light to invest up to $45 million to extend its pipeline facilities to serve customers without pipeline access. The new program will also allow Atlanta Gas Light to install pipelines to create new economic development corridors in order to help spur growth.

No rate case is required for the programs, but every three years the company must file its plan for the upcoming three years with the Georgia PSC. The mechanism is a surcharge with the tracked over and under collection of program costs to be refunded or surcharged at program completion in 2025. The maximum monthly amount that may be surcharged to residential customers is $3.13. The maximum that may be surcharged to smaller volume general service customers (less than 5,000 therms per day) is currently $7.03 per month. The maximum that may be surcharged to larger volume general service customers (greater than 5,000 therms per day) is currently $49.93 per month.

Georgia – Atmos Energy - Docket No. 12509-U

Atmos utilizes a surcharge mechanism that was implemented June 21, 2000, to recover the costs of replacing 184 miles of cast iron pipe in 15 years and 46 miles of bare steel pipe in 20 years.

Indiana – Vectren North - Indiana Gas - Cause No. 43298

In its most recent rate case in 2008, Vectren North (Indiana Gas) received approval to implement a tracking mechanism that allows the utility to defer expenses associated with investments in infrastructure replacement projects. Vectren defers the recovery of depreciation expense and property taxes and continues to utilize the allowance for funds used during construction (AFUDC) for 4 years from the date that each replacement was put in service. The company is allowed to defer up to $20 million per year. All projects receiving the accounting treatment at the time the company files its next base rate case continue to receive that treatment until a base rate order is issued; projects that are included in rate base and initiated after a rate case is filed are also eligible for the deferral accounting and later recovery.

Indiana – Vectren South - SIGECO - Cause No. 43112
In its 2006 rate cases, Vectren received approval of a tracking mechanism for recovery of an accelerated bare steel and cast iron pipeline replacement program for Vectren South (Southern Indiana Gas and Electric Company). The company defers the recovery of depreciation expense and continues AFUDC for a period of 3 years from the in-service date of each replacement project; the accounting treatment is limited to $3 million of program investment per year. Any projects receiving the accounting treatment at the time the company files its next base rate case continue to receive that treatment until a base rate order is issued; projects that are included in rate base and initiated after a rate case is filed are also eligible for the treatment.

Iowa Limited Program Generic Rule of the Utilities Board – Docket No. RMU-2011-0002
On October 13, 2011, the Iowa Utilities Board adopted a rule that allows natural gas utilities to implement either of two types of automatic adjustment mechanisms for recovery of a limited number of capital infrastructure investments outside of a general rate proceeding. Under one of the procedures, a utility may file for a mechanism that meets four specific and limiting criteria. Under the second procedure, a utility may implement an automatic adjustment mechanism by filing a proposed tariff that will establish a rate for recovery of eligible investments that are required by government mandates or are required by state or federal pipeline safety mandates. No utility has yet implemented either of the adjustment mechanisms.

Kansas State Wide Legislation
In April 2006, the Kansas legislature passed the Gas Safety and Reliability Policy Act (K.S.A. 66-2201 through 66-2204) that approved the implementation of a gas system reliability surcharge for Kansas natural gas utilities. Utilities in the state may surcharge between 0.5% and 10% of revenues to recover new infrastructure replacement costs not already in rates. Rates are adjusted annually. The surcharge may continue for no more than 5 years after the last rate case and then a new case must be held if the surcharge is to be continued.

Kansas – Atmos Energy – Docket No. 10-ATMG-133-TAR
Atmos has had a replacement program in Kansas since the 1980s. The current surcharge mechanism is authorized by the Kansas Gas Safety and Reliability Policy Act.

Kansas – Black Hills – Docket No. 05-AQ-367-RTS
In 2008, Black Hills implemented a surcharge mechanism under the authority of the Gas Safety and Reliability Policy Act. The mechanism covers both non-revenue producing replacement infrastructure and government mandated infrastructure relocations. The maximum amount the company is allowed to surcharge customers is an additional $0.40 per month above the base rates.

In an earlier order issued on May 4, 2005, Black Hills (then Aquila) received approval to implement a $0.2 million surcharge annually for three years for the recovery of the costs of replacing the gas main that runs parallel under pavement the entire length of 13th Street in Wichita, Kansas. At the end of the three-year period, the company was required to true-up if the actual cost of the project and the actual amount collected from customers under the surcharge.

Kansas – Kansas Gas Service – Docket No. 07-AQLL-431-RTS
Kansas Gas Service first began collecting the Gas Safety and Reliability Policy Act surcharge in 2009. The surcharge permits the company the opportunity to recover a return, taxes and depreciation on eligible safety and governmental relocation capital expenditures. The maximum increase in any given year is limited to $0.40 per month per residential customer. There are additional time limitations for such collections before Kansas jurisdictional utilities must file for

an increase in base rates, at which time the surcharge would reset to zero and such costs would be recovered in base rates.

Kentucky State Wide Legislation

On June 20, 2005, Kentucky enacted KRS 278.509, Recovery of Costs for Investments in Natural Gas Pipeline Replacement Programs, that approved the implementation of a natural gas system replacement tracking mechanisms for Kentucky natural gas utilities.

Kentucky – Atmos Energy - Case No. 2009-00354

On May 28, 2010, the Kentucky Public Service Commission authorized Atmos Energy to implement a pipeline replacement program cost recovery surcharge that will be used to replace all bare steel mains over a 15 year period.

Kentucky – Columbia Gas – Case No. 2009-00141

Columbia Gas of Kentucky received approval of its Accelerated Main Replacement Program (AMRP) tracker as part of its last base rate case in October 2009. The AMRP allows for the recovery of investments to replace bare steel and cast iron mains and associated appurtenances for the previous calendar period. The revenue requirement reflects an offset of estimated O&M savings associated with the infrastructure replacement. Columbia earns a return on its investment at the rate allowed in its last base rate case proceeding, and a depreciation allowance at the most recently approved depreciation rates. The filing is made annually on March 1 to reflect cumulative programs costs, with new rates going into effect as early as June of each year.

Kentucky – Delta Natural Gas – Case No. 2010-00116

In October 2010, the Kentucky Public Service Commission authorized Delta Natural Gas to implement a pipe replacement program (PRP) rider to facilitate recovery of certain infrastructure costs. Delta's tracking mechanism, which began in 2011, is primarily for replacements but also contains a provision for new expenditures necessary to meet current safety or operational standards. There are no caps on the amount that may be recovered through the tracker, and there is no term limit to the mechanism.

Kentucky – Duke Energy Kentucky – Case No. 2001-00092

The company has had an accelerated main replacement mechanism in place in Kentucky since 2001. The mechanism applies to all customers receiving service under the company's sales and transportation rate schedules. The charge, which is calculated annually, is assessed monthly and is a flat fee for residential and general service customers and is volumetric for interruptible transportation customers.

Maine – Limited Program – Northern Utilities – Docket No. 2011-92

In November 2011, the Maine Public Utilities Commission authorized Northern Utilities to implement a limited, one year, incremental step adjustment of $0.9 million effective May 1, 2012, to reflect investments made under the company's Cast Iron Replacement Program (CIRP) in 2011. In accordance with a July 2010 PUC order, Northern Utilities had sought to implement a targeted infrastructure replacement adjustment (TIRA) tracker to reflect incremental CIRP investments beginning in 2012. However, the commission did not approve a permanent tracker but allowed the more limited mechanism for one year.

Massachusetts – Columbia Gas Massachusetts – Docket No. DPU 09-30

Columbia Gas of Massachusetts (formerly Bay State Gas) received approval of its Targeted Infrastructure Reinvestment Factor (TIRF) as part of its last base rate case in October 2009.

The TIRF allows for the recovery of the revenue requirement associated with bare steel capital additions for the previous calendar year, including: mains, services, service tie-ins, meters, meter installations, regulators, and industrial measuring and regulating equipment. The revenue requirement reflects an offset of estimated O&M savings associated with the infrastructure replacement. The initial filing is made on May 1 of each year, with new rates going into effect each November.

The TIRF tracking mechanism costs are recovered as a component of Columbia's Local Distribution Adjustment Clause mechanism. There is a revenue recovery cap of 1% of total revenue (including gas costs). The replacement time period is expected to be 10-15 years.

Massachusetts – National Grid Massachusetts – Docket No. DPU 09-30

In November 2010, the Massachusetts Department of Public Utilities (DPU) issued a decision in a rate case for National Grid Massachusetts companies Boston Gas, Essex Gas and Colonial Gas. The DPU adopted targeted infrastructure recovery factors for the companies. The TIRFs provide for the recovery of costs associated with the accelerated replacement of gas mains, and the companies are allowed to surcharge customers up to 1% of total revenue.

Massachusetts – New England Gas – Docket No. DPU-10-114

On March 31, 2011, New England Gas received authorization from the Massachusetts Department of Public Utilities to implement a TIRF to provide recovery of incremental expenditures associated with reinforcing the system and meeting public safety goals.

Michigan – SEMCO Energy – Docket No. U-16169

On Jan. 6, 2011, the Michigan Public Service Commission adopted a settlement that establishes a main replacement program rider. This mechanism will enable SEMCO Energy to recover the incremental capital-related costs associated with the accelerated removal and replacement of cast iron and unprotected steel service lines and mains. Pipe replacement began in 2011 and the cost recovery surcharge mechanism will begin June 2012. The new program will reduce the replacement time from 60 years to 25 years.

The program expires in 5 years unless extended by order in a new rate case. The surcharge is $0.25 per residential customer per month, $0.54 per month for the smallest commercial customers, and up to $500 per customer per meter for large transportation customers. A minimum of 13 miles of incremental main replacement is required (approximately $4.5 million new investment per year), and there is no cap on the amount of money or miles of pipe that may be replaced in one year.

Missouri State Wide Legislation

The Infrastructure System Replacement Surcharge (ISRS) mechanism was the result of a revision to Missouri Statute 393.1009-1015. The ISRS allows the rates of a gas utility to be adjusted twice per year to provide for the recovery of costs of eligible infrastructure system replacements. Companies using the ISRS must file a rate case at least every 3 years. The legislation requires that the Missouri Public Service Commission approve a mechanism that produces total annualized ISRS revenue of no less than one million dollars or one-half of one percent of the gas utility's base revenue level, as approved in the company's last rate case. The legislation also requires that the mechanism be capped such that total annualized ISRS revenue is no greater than ten percent of the utility's base revenue level granted in the last rate case.

Missouri – Ameren – GT-2009-0413
Ameren Missouri filed its first ISRS in 2007. The program is a surcharge to rates, covers only replacement pipe, and has the rate case parameters and revenue floors and caps specified in the Missouri legislation. On Jan. 19, 2010, the Missouri Public Service Commission adopted a settlement in the company's rate case authorizing a transfer to base rates of $3.4 million that was being recovered through the infrastructure system replacement surcharge.

Missouri – Atmos Energy - Rule CSR 240-3.265
Atmos implemented the ISRS mechanism in its Missouri jurisdiction in 2008. The mechanism follows the requirements of the enabling Missouri legislation.

Missouri – Laclede Gas – Docket No. GR-2007-0208
In 2004, Laclede Gas implemented the ISRS as a result of its 2003 rate case. In a July 9, 2007 announcement of the settlement of its 2006 rate case, Laclede agreed to transfer to base rates the $5.5 million that was the cumulative amount that had been added to rates since the 2003 rate case and that was being collected in the ISRS. In November 2007, Laclede added an additional $1.64 million of new costs to the surcharge account. In a settlement of its 2009 rate case, Laclede agreed in August 2010 to transfer to base rates $10.9 million of costs currently being collected through the ISRS.

Missouri – Missouri Gas Energy – Docket No. GR-2009-0355
Missouri Gas Energy's mechanism follows the requirements of the enabling Missouri legislation. As part of its 2007 rate case, Missouri Gas Energy transferred $3.7 million from the ISRS account into base rates.

Nebraska State Wide Legislation
The Infrastructure System Replacement Surcharge (ISRS) mechanism was the result of a revision to Nebraska Statutes 66-1865, 66-1866, and 66-1867, effective Aug. 30, 2009. The ISRS allows the rates of a gas utility to be adjusted twice per year to provide for the recovery of costs of eligible infrastructure system replacements. Companies using the ISRS must file a rate case at least every 5 years. The legislation authorizes a range of program cost recovery of at least one million dollars or one-half percent of the jurisdictional utility's base revenues approved by the commission in the utility's most recent general rate proceeding, up to but not exceeding ten percent of the utility's base revenues approved during the last rate proceeding. No utility has yet implemented an ISRS mechanism.

Nevada – Limited Program - Southwest Gas – Docket No. 11-03029
In 2011, Southwest received approval of a limited mechanism that allows the company to defer the depreciation expense and rate of return associated with specific replacement projects the company undertook as a result of the bonus depreciation that was available in 2011 and 2012. As part of its 2012 rate case (see pending mechanisms below), Southwest has petitioned to consolidate the current, limited program, with a second program to replace early vintage plastic pipe and steel pipe.

New Hampshire – National Grid NH/Energy North Natural Gas – Docket No. DG 10-017
Energy North Natural Gas has had a Cast Iron Bare Steel (CIBS) Replacement Program for several years. In its 2009 rate case, Energy North proposed to modify its annual CIBS rate adjustment mechanism to include public works projects and to eliminate the $0.5 million annual threshold required prior to cost recovery. However, on March 10, 2011, in a settlement, the New Hampshire PUC called for the CIBS rate adjustment mechanism, as currently structured, to remain in effect.

New Jersey – State Wide Program of the Board of Public Utilities

On April 16, 2009, the New Jersey Board of Public Utilities (BPU) approved accelerated infrastructure programs for five of the seven major utilities that had filed such plans. In aggregate, the approved plans provide for the utilities to invest $956 million in incremental infrastructure and energy efficiency programs over the next two years. For the most part the costs of these programs are to be recovered through separate adjustment mechanisms.

The proposals were tendered following discussions among state leaders and comport with then Gov. Jon Corzine's (D) economic stimulus plan. The expenditures outlined in these programs are incremental to the level of investment that the utilities had planned as part of their ongoing business operations.

New Jersey – New Jersey Natural Gas – Docket No. GO09010052

In 2009, New Jersey Natural Gas received approval to invest $71 million in new infrastructure and system upgrades; construction was completed in August 2011. In 2011, the BPU granted New Jersey Natural approval to invest an additional $60 million in new infrastructure and upgrades, with an expected completion date of October 2012. The recovery mechanism is not a typical tracker or surcharge. New Jersey Natural is recovering the costs of its infrastructure projects through adjustments to base rates.

New Jersey – Elizabethtown Gas – Docket No. GO09010053

Elizabethtown Gas implemented its Utilities Infrastructure Enhancement Program in 2009. Part of the state-wide economic incentive plan, the program includes both the costs of replacing cast iron pipes and investments in specified new main extensions. While no rate case is required to implement the plan, expenditures on the approved projects are subject to a prudency review. In the 2009 decision, Elizabethtown Gas agreed to expend an incremental $60.4 million on infrastructure upgrades during the period. The recovery mechanism was through a surcharge.

In 2011, Elizabethtown Gas was granted approval for an extension of the program through 2012 with additional capital investment of $40 million. The recovery mechanism continued to be a surcharge through September 2011. Effective October 2011, the surcharge rolled into base rates. Projects completed and placed in service in the interim through October 2012 would be accounted for as a deferral and rolled into base rates effective January 2013.

The company’s previous replacement program was a deferral account. The mechanism allowed for the recovery of up to $1.5 million of costs associated with the accelerated replacement of about 60 miles of elevated pressure 8-inch cast iron main. Those costs were rolled into rates as part of the company’s 2009 rate case.

New Jersey – Public Service Electric and Gas – Docket No. GO09010050

In April 2009, Public Service Electric and Gas Co. (PSE&G) received BPU approval of an infrastructure investment program. The settlement identified several qualifying projects totaling $273 million of investments over a 24-month period. The recovery mechanism, the Capital Adjustment Charge (CAC), is a deferral account that is adjusted each January based on forecasted program expenditures. Between adjustment periods, over and under-recovered program balances are subject to interest at the short-term debt rate, net of tax.

PSE&G spent $83 million on approved infrastructure projects in 2009 and collected approximately $5.7 million through the CAC. The CAC was adjusted on a provisional basis on January 1, 2010. At the conclusion of PSE&G’s base rate case in July 2010, the infrastructure projects that were placed in service through the end of 2009 were removed from the deferred account and rolled into rate base, and the CAC was adjusted accordingly, again on a provisional

basis. PSE&G spent $170 million on approved infrastructure projects and collected approximately $11.6 million through the CAC in 2010.

In November 2010, PSE&G made its second annual filing to update the CAC to cover the remaining infrastructure investments under the program. The company also filed for an extension of the Capital Stimulus program, seeking BPU approval for an additional $78 million in infrastructure investments from May 2011 through April 2012. The company proposed to remove from the deferred account the unrecovered Capital Stimulus expenditures for projects that would be placed in service by June 30, 2011 and roll into base rates the associated costs. If approved, PSE&G expects the roll-in will result in an increase in base rates of $22 million, with a corresponding reduction in the CAC. A decision is expected soon.

New Jersey – South Jersey Gas – GR 09110907, GR 10100765, GO 11100632

In April 2009 the New Jersey Board of Public Utilities approved the Capital Investment Recovery Tracker (CIRT) mechanism for South Jersey Gas. At that time, the BPU approved an investment of $103 million to be made in specific infrastructure projects that were incremental to the company's 2009 and 2010 capital budgets.

As part of a base rate case order in September 2010, South Jersey rolled into rate base approximately $81 million of completed CIRT investments. This resulted in an increase to base rates and a tracker reduction. The rate case order also provided for a Phase II proceeding in which the remaining $23 million of projects are to be rolled into rate base in October 2011. The rate case order created a nexus between the CIRT and base rate case proceedings.

On March 31, 2011, the BPU approved the continuation of the accelerated infrastructure programs for South Jersey Gas. The company will invest approximately $60 million to accelerate previously planned capital projects that must be completed by October 31, 2012. These CIRT–II projects are scheduled to be rolled into rate base on October 1, 2011 and January 1, 2013. In March 2011 order, the BPU extended Phase II of the base rate case to facilitate the CIRT–II roll-in.

On May 1, 2012, the Board ordered the company to allocate an incremental $35 million of capital expenditures for the accelerated replacement of unprotected steel and cast iron mains and to establish a CIRT III rate of $0.0107 per therm (including sales and use tax), effective March 1, 2013, for the cost recovery of the additional investment.

The criteria for CIRT–I, CIRT–II and CIRT III projects are the same: 1) they must assist the company in providing safe, adequate and proper service to customers; 2) project expenditures must be incremental to SJG's annual capital budget; 3) and they must support New Jersey's economic stimulus objectives, including creating jobs in New Jersey. Projects being rolled into rate base will be subject to a prudency review. The CIRT programs reduce the time period over which infrastructure is replaced from 46 years to 20 years.

New York – Limited Program - Corning Natural Gas – Docket No. 08-G-1137

Corning Natural Gas has had a limited pipeline replacement cost recovery mechanism since 2006. The company has replaced nearly 36 miles of older mains and 1,900 services. The company replaces about 7 miles of pipe per year, and expects the program to require another 10-15 years to complete. The company is also relocating gas meters that are inside the house to a location on the outer wall of the structure that is as close to the main as possible and safe.

New York – Limited Program - National Grid Long Island – Docket No. 06-M-0878

National Grid Long Island has had a limited infrastructure replacement tracker program since 2008. The program allows the utility to track only the costs of new or replacement infrastructure

that are necessitated by city and state construction projects. These costs are deferred to be recovered in the future. No other infrastructure investment costs are allowed this treatment. There are no caps on the amount of money that may be deferred.

New York – Limited Program - National Grid NYC – Docket No. 06-M-0878
The limited infrastructure replacement tracker at National Grid NYC is similar to the one at National Grid Long Island. The program has been in place since 2008 and covers only those costs that are necessitated by city and state construction projects.

New York – Limited Program - National Grid Niagara Mohawk – Docket No. 06-M-0878
Niagara Mohawk has had a limited pipeline replacement cost recovery mechanism since 2008. Prior to that time, the company had replaced approximately 20 miles of leak-prone pipe annually. The limited program, which is scheduled to run for 5 years, ordered the company to replace a cumulative total of at least 150 miles of pipe and not less than 25 miles in any one year. Failure to meet the cumulative or any of the annual minimum targets would result in a revenue adjustment of $840,000.

Ohio – Columbia Gas of Ohio – Case No. 08-72-GA-AIR
Columbia Gas of Ohio received approval of its Infrastructure Replacement Program (IRP) tracker as part of its last base rate case that was approved December 2008. The IRP allows for the recovery of calendar year investments to replace: 1) bare steel and cast iron mains and associated service lines, 2) prone to fail risers, 3) hazardous customer service lines, and 4) installation of automated meter reading devices. The IRP also allows for recovery of post-in-service carrying costs, property taxes, and depreciation, and reflects O&M savings as a result of the program. Columbia earns a return on its investment at the rate allowed in its last base rate case and is subjected to rate caps, set at the anticipated investment level projected by the company. The initial filing is made each November 30 of the investment year, with actual data filed on February 28 of the recovery year. New rates go into effect each May.

Columbia's IRP is a fixed surcharge capped at the following amounts for small general service customers: $1.10 per month in year 1; $2.20 per month in year 2; $3.20 in year 3, $4.20 in year 4; and $5.20 in year 5. The cap on small commercial customers (less than 300 Mcf/month) is the same as the small general service customer. There is no cap on customers taking more than 300 Mcf per month.

The IRP is authorized for an initial five year period, and no rate case is required. Columbia may request the IRP be renewed through the filing of a base rate case or pursuant to an alternative rate design method as provided for in Section 4929.05 of the Revised Code of Ohio.

Ohio – Dominion East Ohio – Case No. 09-458-GA-RDR
Dominion East Ohio's Pipeline Infrastructure Replacement (PIR) tracker program was initially approved in the company's rate case on October 15, 2008 for costs associated with infrastructure replacements starting July 1, 2008. The program primarily covered bare steel, cast iron, wrought iron and copper pipeline replacements, but ongoing infrastructure investments could be included provided the rate cap was not exceeded. Dominion East Ohio's program specified a fixed monthly surcharge for most rate schedules and a volumetric charge for the industrial class; annual adjustments required an application supported by rate schedules and involved an expedited procedural schedule. Under the program as initially approved for the first five years, the monthly surcharge for residential and small commercial customers could be no greater than $1.12 per customer in year 1, with annual increases to the monthly charge of no greater than $1.00 thereafter.

On March 31, 2011, Dominion East Ohio filed a motion with the Public Utilities Commission of Ohio requesting approval to modify the program due to an increase in the identified scope of the program and in response to recent increased national concern about pipeline safety. The company proposed an increase in annual investment from approximately $100 million per year to more than $200 million per year. A rate case was not required for the proposed modification of the program. In August 2011, the Ohio Commission approved a stipulation filed jointly by Dominion East Ohio, the Staff of the Ohio Commission and other interested parties in the accelerated PIR proceeding. The stipulation provides for an increase in annual PIR capital investment from the current level to approximately $160 million by 2013, and a change from a fiscal year ending June 30 to a calendar year. In addition, the stipulation provides for cost recovery over a new five-year period commencing upon the approval of the Public Utilities Commission, with the monthly cost recovery charge for residential and small commercial customers to increase by no more than $0.65 per customer in May 2012 for the transitional half-year filing through December 31, 2011; no more than $1.15 in May 2013 for the calendar year 2012 filing; and no more than $1.40 annually thereafter. Although there is no specified annual cap in miles, the miles of replacement are limited by the cap on the cost recovery charge. The modified program no longer includes ongoing infrastructure investments and continues the approved infrastructure replacements over the original program estimate of 25 years.

Ohio – Duke Energy – Case No. 01-1228-GA-AIR

Duke Energy (previously Union Light Heat and Power) has had an accelerated main replacement tracker in place for all sales and transportation customers in Ohio since 2000. All customers except interruptible transportation customers are assessed a monthly charge in addition to the customer charge component of their applicable rate schedule. Interruptible customers are assessed a throughput charge in addition to their commodity delivery charge for accelerated main replacement. The maximum monthly charge for any interruptible transportation customer is $500.00 per account. The tracking mechanism is updated annually in order to reflect the impact on the company's revenue requirements of net plant additions, as offset by operations and maintenance expense reductions during the most recent twelve months ended December.

Ohio – Vectren Ohio - Case No. 07-1080-GA-AIR

In 2009, the Public Utilities Commission of Ohio approved the establishment of a tracking mechanism for Vectren Energy Delivery of Ohio that allows for the recovery of costs associated with an accelerated bare steel and cast iron pipeline replacement program. The program is in effect for 5 years or until rates are approved in a subsequent rate case, whichever occurs sooner. The mechanism covers: 1) bare steel and cast iron pipeline replacements; 2) replacement of certain types of risers that had previously been determined as “prone to failure” in Ohio; 3) expenses that have been previously deferred during the company’s investigation of those risers; and 4) incremental costs attributable to the company assuming responsibility for service lines. Prior to 2009, the portion of the service line from the property line to the meter was owned and maintained by the customer. That ownership continues until the service line is actually replaced by the company, but Vectren has assumed maintenance responsibility for all service lines. The costs of the mechanisms are offset by O&M savings realized as a result of retirement of the older infrastructure.

The program was proposed in the company’s last rate case as a 20-year program, during which all cast iron mains and bare steel mains and service lines would be replaced. There is a cap on cost recovery. Residential customers pay a fixed charge per month under the rider, and the annual increase to the monthly charge is limited to $1.00 per month.

Oregon – Avista – Docket No. UG-201

The Oregon Public Utility Commission's March 10, 2011, settlement of Avista's 2010 rate case provides for deferred accounting treatment for two capital additions. The two projects include the second phase of the Roseburg Reinforcement Project and the Medford Integrity Management Pipe Replacement Project that was completed in 2011. A subsequent incremental rate adjustment of approximately $0.6 million will be made on June 1, 2012, to recover the costs of the two projects.

Oregon – NW Natural – Case No. UG-177

The NW Natural program is a tracker than recovers the cost of the acceleration of bare steel pipe replacement, transmission pipeline integrity costs, and distribution pipeline integrity costs. The tracker adjusts rates to recover these costs for the most recent 12-month period November 1 through October 31, and the adjustments are made at the same time as the company's annual purchased gas adjustment filing. The company is required to allocate 70% of the cumulative investment of the bare steel pipe replacement portion of the program costs to residential and commercial firm sales and transportation customers. The total program is capped at $12 million per year, with $8.2 million of that considered incremental and recoverable through the tracking mechanism.

The program is in effect through the effective date of the new rates adopted in the current general rate case (expected in September 2012). Upon expiration of the program, the bare steel replacement tracker will remain in effect through December 31, 2021.

Pennsylvania State Wide Legislation

In February 2012, the General Assembly of the Commonwealth of Pennsylvania amended Title 66 (Public Utilities) of the Pennsylvania Consolidated Statues to provide an additional mechanism for distribution systems (gas, electric, water, wastewater) to recover costs related to the repair, improvement and replacement of eligible property. For natural gas systems, eligible property includes mains, services, fittings, valves, couplings, risers, meters, meter bars, and unreimbursed costs related to highway relocation programs. The new mechanism allows a surcharge to be added to customers' bills to fund the accelerated replacements.

In order to be eligible to recover costs, a utility must submit a long-term infrastructure improvement plan that identifies the types and ages of the structures to be replaced, location of property, an estimate of the quantity of property to be improved, projected annual expenditures, and the manner in which the replacement will be accelerated, among other plan elements. In addition, the statute instructs the commission to develop regulations for periodic review at least once every five years of the plans.

Rhode Island State Wide Legislation

In 2010, the Rhode Island General Assembly amended Chapter 39-1 of the Rhode Island General Laws entitled, "Public Utilities Commission." The amended statute added sections (R.I.G.L. §39-1-27.7.1) allowing the Rhode Island Public Utilities Commission to approve revenue decoupling and infrastructure investment tracking mechanisms.

Rhode Island – National Grid Narragansett Gas – Docket No. 4034

Narragansett Gas' replacement program began in 2009, and a new, legislatively established program that covers both replacement and new safety and reliability pipeline infrastructure went into effect April 2011. There is no cap on the dollars that may be recovered through the surcharge mechanism, and while there is no cap on the miles of pipe that may be replaced, the plan must be approved before the start of the program. No rate case is required.

Texas – State Wide Legislation[1]

The Gas Reliability Infrastructure Program (GRIP) statute became effective for all Texas natural gas utilities on September 1, 2003. The legislation allows a gas utility to file with the regulatory authority a tariff that provides for an adjustment to the utility's rates. The adjustment is implemented through changes to the monthly customer charge or meter charge, but a utility can choose to adjust the first consumption block as an alternative. The tariff may be implemented without action by the regulatory authority. The tracking program allows for the recovery of new infrastructure investment, as well as the recovery of costs associated with replacement investments.

There is no cap on the amount of investment that may be recovered. However, if a gas utility's annual earnings monitoring report shows that it is earning a return on invested capital of more than 75 basis points above the return authorized for it in the area in which the interim rate adjustment was implemented, a report to the commission is required as to why rates are not unreasonable or in violation of law. After the first GRIP filing, the utility must file a rate case within the next 5 years.

Texas – State Wide Program of the Railroad Commission

On February 25, 2011, The Texas Railroad Commission adopted a comprehensive pipeline safety rule that requires all Texas natural gas distribution companies to survey their pipeline distribution systems for the greatest potential threats for failure and make replacements. Natural gas distribution operators must develop risk-based programs of prioritized replacements of pipeline and associated appurtenances. The rule also allows for the recovery of the costs of the program via a deferral mechanism. This state wide rule is in addition to the Texas GRIP statute of 2003 that provides for annual interim rate increases for a utility's infrastructure investment in excess of annual depreciation with no requirements as to replacement of pipe.

Texas - Atmos Energy – Docket No. 9560

Atmos implemented the GRIP program in its Mid-Tex service territory in 2004. Capital related costs are recovered on the change in net investment from year-to-year. The mechanism covers replacement pipe, new pipe, pipeline integrity capital and any other capital investment. The adjustment is interim in nature and subject to refund until the next general rate case, which must be filed every 5 years.

In addition to the GRIP program, Atmos has a separate surcharge mechanism that was implemented in 2010 pursuant to a rate order for the purpose of replacing 100,000 high priority steel service lines over a two year period. The surcharge may be used with an annual true-up mechanism.

Texas – CenterPoint Energy – GUD 10067

CenterPoint made its first GRIP filing on March 31, 2011 for the company's Houston Division. The GRIP tracker amount changes annually, is applied to the customer charge (subject to refund), and is trued up in the next general rate case.

Texas – Texas Gas Service

Texas Gas Service implemented its program under the Texas GRIP statute in 2003. State law limits the amount of infrastructure cost that may be recovered in a year to the amount of new infrastructure investment in the previous year, that is, the mechanism tracks the level of new investment.

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[1] Title 3. Gas Regulation; Subtitle A. Gas Utility Regulatory Act; Chapter 104. Rates and Services; Subchapter G. Interim Cost Recovery and Rate Adjustment; Sec. 104.301. Interim Adjustment for Changes in Investment.

Utah – Questar Gas – Docket No. 09-057-16

On June 3, 2010, the Utah Public Service Commission authorized Questar Gas to implement a three-year pilot Infrastructure Replacement Adjustment (IRA) mechanism to track and recover between rate cases the costs associated with the replacement of high-pressure natural gas feeder lines. The approved IRA mechanism is to be adjusted at least annually and has an annual budget cap of $55 million, adjusted for inflation. While operating under the mechanism, the company is required to file a general rate case at least every three years.

Virginia – State Wide Legislation

In Virginia, legislation supporting infrastructure investment was enacted on March 11, 2010. The SAVE (Steps to Advance Virginia's Energy Plan) Act allows utilities to petition the State Corporation Commission for a separate rider to recover a return on and of certain investments, including natural gas facility replacement projects that enhance safety and reliability, or have the potential to reduce greenhouse gas emissions by reducing system integrity risks.

The SAVE Act provides for prospective recovery of eligible infrastructure replacement costs, including a return based on the weighted average cost of capital established in the utility's last base rate case proceeding. The recovery also includes an allowance for income taxes; bad debt expense; depreciation; property taxes; and carrying costs on the over- or under-recovery of the eligible infrastructure replacement costs. No other O&M adjustments are included in the revenue requirement calculation.

Investment means costs incurred on eligible infrastructure replacement projects including planning, development, and construction costs; costs of infrastructure associated therewith; and an allowance for funds used during construction.

At the end of each 12-month period the SAVE rider is in effect, the utility reconciles the difference between the recognized eligible infrastructure replacement costs and the amounts recovered under the SAVE rider, and submits the reconciliation and a proposed SAVE rider adjustment to the Commission to recover or refund the difference, as appropriate, through an adjustment to the SAVE rider.

Virginia – Columbia Gas of Virginia – Case No. PUE-2011-00049

In November 2011, the Virginia State Corporation Commission approved an accelerated gas main replacement program for Columbia Gas of Virginia. Columbia plans to invest approximately $20 million per year for the years 2011–2015, for a total rate base addition of $82 million. The company will phase-in an $11.1 million rate increase over the years 2012 through 2016; a $1.3 million rate increase that became effective on January 1, 2012, represents the first annual adjustment under the SAVE rider.

Virginia – Washington Gas - Case No. PUE-2010-00087

In April 2011, the Virginia State Corporation Commission authorized Washington Gas to implement a tracking mechanism for recovery of replacement infrastructure investment costs as authorized by the Virginia SAVE legislation. Four infrastructure replacement programs totaling $116.5 million are planned for the years 2010-2014, and the company received approval for cost recovery for five years of plan expenditures with varying capital expenditures in any given year. The company will phase-in a $15.6 million rate increase over the years 2011 through 2014, and the annual true-up mechanism is subject to review.

PENDING INFRASTRUCTURE COST RECOVERY RATE MECHANISMS

California – San Diego Gas and Electric

On Dec. 15, 2010, San Diego Gas & Electric filed a request with the California Public Utilities Commission for a gas base rate increase. In addition to the base rate increase, the company proposes a post-test-year ratemaking mechanism for the three years, 2013 through 2015, under which the company's revenue requirement would be adjusted to reflect increases in capital-related and other expenses. A ruling is expected in the third quarter of 2012.

California – Southern California Gas

On Dec. 15, 2010, Southern California Gas filed a request with the California Public Utilities Commission for a gas base rate increase. In addition to this base rate increase, SoCal proposes a post-test-year ratemaking mechanism for the three-year period 2013 through 2015, under which the company's revenue requirement would be adjusted to reflect increases in capital-related and other expenses. The company did not request specific rate increases under the mechanism. A ruling is expected in the third quarter of 2012.

District of Columbia – Washington Gas – Case No. 1093

On February 29, 2012, Washington Gas Light filed a rate case with the District of Columbia Public Service Commission in which it proposed an expansion of its existing pipe replacement program approved in 2007. Specifically, the company proposed a 5-year accelerated pipeline replacement program and a surcharge for recovery of $119 million to be invested in replacement infrastructure. Washington Gas proposes to spend $19 million in year 1 and $25 million in years 2-5. This is the initial phase of a proposed 50-year, $749 million plan to replace 400 miles of pipeline and 37,000 services.

Michigan – Michigan Consolidated Gas – Cast No. U-16999

On April 20, 2012, Michigan Consolidated Gas filed a rate case in which it proposed to establish a cost tracker for recovery of the costs associated with $387 million in capital investment for the company's meter move-out, main renewal, and pipeline integrity programs. The capital investment would take place in the five years 2013 through 2017; any expenditures prior to January 2013 would be included in rate base. The infrastructure charge would increase annually to reflect incremental tracked costs and would remain in effect until the company's next rate case, at which time the rider amounts would be rolled into base rates.

Nevada – Limited Program - Southwest Gas – Docket Nos. 12-04005 and 12-02019

In 2012, Southwest Gas filed with the Nevada Public Service Commission a general rate case and a separate petition pursuant to its current limited infrastructure replacement program. In compliance with the provisions of the current replacement program, Southwest filed to recover the depreciation, return and property tax associated with the $12.5 million it has spent on infrastructure replacement of early vintage plastic pipe. With the subsequent rate case filing, the company is seeking approval of a surcharge mechanism that will allow the company to invest a maximum of $40 million per year for the replacement of early vintage plastic pipe and steel pipe. The proposed plan would require the development and approval of an annual budget. Southwest would recover through a surcharge an amount equal to the revenue requirement associated with the additional plant put in service each year. Rates will be capped and will not exceed one cent per therm per year. The rate case filing also seeks to consolidate the current limited program with the proposed full replacement mechanism.

ADDITIONAL INFORMATION

If you would like more information about a particular program or would like to speak to another AGA member regarding the details of the program, please contact: Cynthia Marple, AGA director of rates and regulatory affairs, cmarple@aga.org or 202-824-7228.