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Columbia Gas's proposed ninth rate increase in nine years driven by investor strategy and should be rejected, OPC says

BALTIMORE – Columbia Gas's proposed rate hike of $5.46 million is being driven by the corporate strategy of the utility's parent company—and all but $328,490 should be rejected, the Office of People's Counsel told the Maryland Public Service Commission in a filing yesterday. Columbia's proposed rate hike would unlawfully force ratepayers to pay for utility executive incentive packages and for extraordinary stock returns for shareholders of NiSource, Columbia's parent, OPC said.

"The utility's customers should not have to cover the growth in earnings that NiSource wants to provide its investors," said Maryland People's Counsel David S. Lapp. "This is Columbia's ninth request for a rate increase in nine years. Customers need a break."

Columbia's rate-hike proposal shows that it has spent massively over the past year—more than $14 million and close to a 10% increase over its previous year's infrastructure that customers were paying for. These investments, OPC's filing says, reflect NiSource's strategy to grow the rate bases of its regulated utilities—of which Columbia is one—by 10-12% every year. That growth is paid for through customer bills, OPC pointed out.

A significant part of Columbia's requested increase in this case is attributable to the company's investment in gas infrastructure projects—projects occurring despite the State's efforts to reduce greenhouse gas emissions. In direct conflict with longstanding Commission policy, the utility also asks the Commission to approve rate recovery of short-term and long-term incentive compensation that it paid to its executives and employees for reaching the company's financial goals. Further, the utility wants the Commission to approve a return for its shareholders of nearly 11%. Such an extremely high return on Columbia's investments would compound the rate impacts of NiSource's aggressive investment strategy.

Columbia also proposes to increase—by 16%—its monthly residential customer charge. Columbia's customer charge—which is independent of gas usage—is already the highest of any gas utility in the State. The Commission has approved increases in Columbia's customer charge in rate cases every year since 2013, when the charge was $10.97/month; its current proposal is to increase the charge to $18.21/month.

"Ratepayers are simply taken for granted, as captive customers purchasing an essential service who have no choice but to pay the amounts that appear on their gas bills," Lapp said. "The Commission should reject virtually all of Columbia's proposed rate increase. It is inconsistent with the law and unfair to ratepayers."

The Maryland Office of People's Counsel is an independent state agency that represents Maryland's residential consumers of electric, natural gas, telecommunications, private water and certain transportation matters before the Public Service Commission, federal regulatory agencies and the courts.

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