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PEOPLE'S COUNSEL LAUDS APPEALS COURT DECISION DENYING COLUMBIA GAS OF MARYLAND'S EFFORTS TO IMPOSE ENVIRONMENTAL CLEAN UP COSTS ON RATEPAYERS

BALTIMORE, Md. (September 1, 2015) – Maryland's second-highest court has issued a decision protecting Western Maryland gas customers from excessive charges related to environmental clean-up costs, denying Columbia Gas of Maryland's request to charge customers an estimated \$4.1 million to \$7.8 million over the next 10 years. "The Court of Special Appeals affirmed basic ratemaking law and principles that protect utility customers and prevent them from paying for costs that don't benefit them," said Maryland People's Counsel Paula M. Carmody, whose office participated in the case.

Columbia Gas of Maryland, Inc., has approximately 33,000 customers in Washington, Allegany, and Garrett Counties, including about 29,000 residential customers. It is a wholly-owned subsidiary of NiSource, Inc., and it is a utility regulated by the Public Service Commission.

The decision, issued Friday, was the latest step in an appeal filed by Columbia after the Commission denied Columbia's request to include certain environmental clean-up costs in its rates.

In its decision the Court of Special Appeals agreed with the Office of People's Counsel and the Commission that the so-called "Cassidy Property," near the intersection of South Potomac and Sycamore Streets in Hagerstown, had not been "used and useful" to provide service to customers since the 1920s. During earlier proceedings in this case, Columbia said the property was contaminated as a result of the manufactured gas operations conducted by Columbia's predecessor company, Hagerstown American Light and Heat, from the 1880's until the 1920's, when the piece of land was sold to a non-utility trucking company.

Agreeing that Columbia should not be authorized to recover the costs in question through rates, the Court held that Columbia "failed to demonstrate the nexus between the Cassidy Property and the service today's customers receive from it to be considered used and useful for ratemaking purposes."

By denying recovery of these costs, the Court of Special Appeals' decision not only prevents Columbia from including any costs already incurred, but also permanently prevents them from charging customers for clean-up costs from the Cassidy Property. Columbia's shareholders will have to pay for these costs.

The precise amount that customers will save as a result of this decision is unknown because the bulk of the costs had not yet been incurred. However, based on cost projections that Columbia has provided, the costs would appear be in the range of \$25 per customer per year for 10 years, Ms. Carmody said. Also, the final outcome is not yet certain because Columbia could seek further judicial review, she said.

"The Court's decision rightfully recognizes that current utility customers should not be required to pay to clean up a property that has never benefited them in any way," Ms. Carmody said. "If it stands, this decision represents a huge victory for Western Maryland ratepayers, in that they will not be improperly saddled with this considerable expense."

The case is called *Columbia Gas of Maryland, Inc. v. Public Service Commission of Maryland, et al.*, No. 0835, September Term 2014. A full copy of the Opinion can be accessed at <http://www.mdcourts.gov/opinions/cosa/2015/0835s14.pdf>.

The Maryland Office of People's Counsel is an independent state agency which represents residential consumers of regulated utility services, including electric, gas, telecommunications, and water services, before the Maryland Public Service Commission, other state and federal agencies and the Courts.