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NEWS RELEASE

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PSC Approves Columbia Gas Rate Settlement

Revenue increase is \$5.43 million less than requested

FRANKFORT, Ky. (Oct. 26, 2009) – The Kentucky Public Service Commission (PSC) today approved a settlement granting Columbia Gas of Kentucky, Inc. an annual revenue increase of \$6.125 million, which is \$5.43 million less than the amount sought by the utility.

Under the settlement, the only change for residential customers will be a \$3.05 increase in the monthly customer charge, from \$9.30 to \$12.35. The gas delivery charge will remain at \$1.87 per 1,000 cubic feet (mcf).

The rate change affects only Columbia's base rate. The commodity cost of the gas itself, which is adjusted frequently to reflect market prices, is determined separately and is passed through to consumers on a dollar-for-dollar basis by Columbia.

In an order issued today, the PSC ruled that the settlement produced rates that are "fair, just and reasonable" and should be approved. The new rates take effect tomorrow.

The settlement was negotiated by Columbia Gas with the other parties to the case: the Kentucky Office of Attorney General, Lexington-Fayette Urban County Government (LFUCG), the Kentucky Industrial Utility Customers, Inc.; AARP; Constellation NewEnergy-Gas Division, LLC; Interstate Gas Supply, Inc.; Stand Energy Corp.; and Community Action for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc.

The PSC conducted a public hearing on the settlement on Sept. 16 and Sept. 18.

Columbia Gas of Kentucky is headquartered in Lexington and serves about 138,000 customers in Fayette and 32 other counties in central and eastern Kentucky.

In originally seeking an increase in annual revenue of \$11.56 million, Columbia proposed to increase the monthly customer charge from \$9.30 to \$26.53 in two years. Columbia also proposed making changes to the way its rates are structured, adding a program to speed replacement of aging gas mains, bolstering its energy conservation programs and instituting a fee for late payments by residential customers.

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The energy conservation and main replacement proposals are included in the settlement. The late payment fee also is included, but low-income customers who receive financial assistance to help pay their bills will be exempted.

Columbia's proposal to redesign its rate structure is not part of the settlement. Columbia agreed not to refile such a proposal until October 2010 at the earliest.

Columbia's application and other documents in the case are available on the Web site. The case number is 2009-00141.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.