

Herbert A. Miller, Jr.
President

P.O. Box 14241
2001 Mercer Road
Lexington, KY 40512-4241
(859) 288.0275
Fax: (859) 288.0258
hamiller@nisource.com

March 30, 2007

Ms. Beth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

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PUBLIC SERVICE
COMMISSION

RE: CASE NO. 2004-00462

Dear Ms. O'Donnell,

The purpose of this letter is to address a commitment made by Columbia Gas of Kentucky, Inc., ("Columbia") in its November 30, 2004 application in the above case.

In Case No. 2004-00462, Columbia sought approval to, among other things, implement a revised Customer Choice program to replace its original CHOICE pilot program. The original CHOICE program authorized in Case No. 1999-00165 was set to terminate on March 31, 2005. Columbia requested authority to implement a new voluntary CHOICE program on a pilot basis from April 1, 2005 through March 31, 2009. In its application, Columbia stated that no later than March 31, 2007, it would notify the Commission and parties to the case of its intentions with regard to possible continuation of the new pilot program beyond March 31, 2009.

The concepts of the new CHOICE program were developed and reviewed with stakeholders representing residential and commercial customer interests in Columbia's service territory. The parties included Interstate Gas Supply, Inc., MxEnergy, Inc., the Office of Attorney General of the Commonwealth of Kentucky, the Lexington-Fayette Urban County Government, and the Community Action Council for Fayette, Bourbon, Harrison and Nicholas Counties. By Order dated March 29, 2005 the Commission authorized Columbia's revised voluntary pilot Customer Choice program as proposed.

Columbia identified three goals it believed critical to the success of its new CHOICE program. The goals were as follows:


- The program must provide an opportunity for residential and small commercial customers to have additional gas supply options available, and that provide an opportunity for reduced gas prices and/or more stable gas prices, while maintaining reliability of service;
- The program must allow Columbia to recover its costs of administering the program, and should provide incentives that will encourage Columbia to promote the CHOICE program; and,

- Customers who choose to continue to purchase their gas supply using Columbia's traditional sales service should not incur any additional charges because of the implementation of a CHOICE program.

Columbia is reviewing its experience and the experience of its customers under the new program. However, Columbia has not yet reached a determination of its intentions regarding possible continuation of the pilot program beyond March 31, 2009. Further, the outcome of the pending rate case may impact the decision-making process and Columbia expects that it may be year-end before it can come to its conclusion. Columbia will notify the Commission and parties to this case at that time.

If you have any questions, please contact Judy Cooper at (859) 288-0242 or jmcoop@nisource.com.

Sincerely,

A handwritten signature in cursive script that reads "Herb Miller".

Herbert A. Miller, Jr.
President