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September 20, 2005

Honorable Stephen B. Seiple
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Columbia Gas of Kentucky, Inc.
200 Civic Center Drive
P.O. Box 117
Columbus, OH 43216-0117

CERTIFICATE OF SERVICE

RE: Case No. 2005-00239
Columbia Gas of Kentucky, Inc.

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on September 20, 2005.

Executive Director

BOD/jc
Enclosure

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF COLUMBIA GAS OF)
KENTUCKY, INC. FOR AN ORDER ISSUING A) CASE NO.
CERTIFICATE OF PUBLIC CONVENIENCE AND) 2005-00239
NECESSITY TO CONSTRUCT A NATURAL GAS)
PIPELINE NEAR GEORGETOWN, KENTUCKY)

O R D E R

On June 23, 2005, Columbia Gas of Kentucky, Inc. ("Columbia") applied for a Certificate of Public Convenience and Necessity ("CPCN") to construct and install approximately 38,500 feet of 12-inch steel pipeline in Georgetown, Kentucky, which would connect its Turner Regulator Station to the existing 12-inch steel pipeline at the intersection of U.S. Highway 62 and U.S. Highway 460B. The existing pipeline is 8 inches in diameter and operates at a limited pressure, which limits the capacity of gas serving Georgetown, Frankfort, and Lexington.

The proposed construction is in response to and consistent with the recent recommendations of a management auditor. In a report to the Commission on Kentucky's five major natural gas distribution utilities, Liberty Consulting Group ("Liberty") had recommended that Columbia augment its peak day forecast to incorporate potential cost tradeoffs regarding the selection of a peak day criteria.¹ Columbia has proposed to adjust its peak day capacity portfolio from a 1-in-10 risk level

¹ See Administrative Case No. 384, An Investigation of Increasing Wholesale Natural Gas Prices and the Impacts of Such Increases on the Retail Customers Served by Kentucky's Jurisdictional Natural Gas Distribution Companies.

to a 1-in-20 risk level. As part of its effort to make this adjustment, Columbia has secured additional interstate pipeline capacity for peak day design from Columbia Gas Transmission Company (“TCO”) through its existing delivery point with TCO at Lake Carnico. The proposed construction is necessary to increase the deliverability of natural gas through Lake Carnico Point of Delivery (“Lake Carnico”).

Columbia estimates the cost of the proposed construction to be \$3,883,375. Columbia has negotiated an agreement with TCO whereby TCO will contribute the cost of the proposed construction. Columbia projects the annual operating cost for the proposed pipeline as \$13,362.66.

Columbia states that the proposed pipeline will be constructed and inspected in accordance with 49 C.F.R. Part 192 and 807 KAR 5:022. The maximum allowable pressure for the proposed pipeline will be 720 pounds per square inch gage (“psig”). TCO has increased delivery pressure at Lake Carnico from 600 psig to 750 psig. Columbia states that with the higher delivery pressure at Lake Carnico and the new 12-inch proposed pipeline, the capacity of natural gas supply into Columbia’s central Kentucky markets will be increased from the existing maximum delivery of 2,950 Mcf per hour to an estimated 3,750 Mcf per hour.

The proposed pipeline will cross Interstate 75 north of Georgetown, Kentucky, run parallel to the Norfolk Southern railroad track, cross the railroad track, and run parallel to U.S. Highway 25. A portion of the pipeline (approximately 4,600 feet) will be located on an electric utility easement, then cross Elkhorn Creek, and run into U.S. Highway 460.

The pipeline will be designed as a Class 4 location transmission pipeline over the entire proposed route. Columbia should implement good engineering practice and safety measures, including, but not limited to, the selection and operation of major emergency shutoff valves.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. Columbia proposes to construct and install approximately 38,500 feet of 12-inch steel pipeline in Georgetown, Kentucky.
2. The estimated total cost of the proposed project, including construction, contingencies, and engineering and inspection fees, is \$3,883,375.
3. TCO will contribute to Columbia the total cost of the proposed project.
4. The proposed project will adjust Columbia's capacity portfolio from a 1-in-10 risk level to a 1-in-20 risk level and will increase gas delivery into the existing distribution system serving the central Kentucky area.
5. Pressure will be increased from 600 psig to 720 psig in the existing 12-inch pipeline from Lake Carnico to the Turner Regulator Station.
6. The proposed construction will not result in the wasteful duplication of existing utility facilities.
7. Public convenience and necessity require the construction set forth in Columbia's application.

IT IS THEREFORE ORDERED that:

1. Columbia is granted a CPCN to construct the proposed pipeline as set forth in the plans and specifications of record herein.

2. Columbia shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

3. Any deviation from the construction approved herein shall be undertaken only with the prior approval of the Commission.

4. Columbia shall require the construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering, to ensure that the construction work is done in accordance with the contract drawings and specification and in conformance with the best practices of the construction trades involved in the project.

5. Columbia shall evaluate the integrity of its existing 12-inch pipeline from Lake Carnico to the Turner Regulator Station in which the pressure will be increased from 600 psig to 720 psig and file with the Commission in detail, within 90 days from the date of this Order, the procedure used to evaluate the integrity of the existing pipeline to operate at the new gas delivery pressure and the results of its evaluation.


6. Seven days prior to the start of construction, Columbia shall file with the Commission the updated and actual construction schedule.

7. Within 90 days from the completion of the construction, Columbia shall file with the Commission the as-built-drawings for the project and the actual project costs.

Done at Frankfort, Kentucky, this 20th day of September, 2005.

By the Commission

ATTEST:



Executive Director

Case No. 2005-00239