BEFORE THE PUBLIC SERVICE COMMISSION
OF KENTUCKY
CASE NO. 2007-0008

COLUMBIA GAS OF KENTUCKY, INC.

INFORMATION REQUESTED BY
COMMISSION ORDER DATED 6/25/07

PSC DATA REQUEST 1
BOOK 3 OF 3

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JANUARY 25, 2007

Question No. 31

Provide a schedule showing for the test year and the year preceding the test year, with each year shown separately, the following information regarding Columbia's investments in subsidiaries, affiliates, and joint ventures:

a. Name of subsidiary, affiliate, or joint venture.

b. Date of initial investment.

c. Amount and type of investment made for each of the 2 years included in this report.

d. Balance sheet and income statement. Where only internal statements are prepared, furnish copies of these.

e. A separate schedule of all dividends or income of any type received by Columbia from its subsidiaries, affiliates, or joint ventures showing how this income is reflected in the reports filed with the Commission and stockholder reports.

f. Name of each officer of each of the subsidiaries, affiliates, or joint ventures, each officer's annual compensation, the portion of that compensation that is charged to the subsidiary, affiliate, or joint venture, the position each officer holds with Columbia and the compensation received from Columbia.

Response of Columbia Gas of Kentucky:

a. Columbia has one wholly owned subsidiary, Central Kentucky Transmission Company (CKT).
b. Columbia's initial investment in CKT occurred in May of 2006.
c. Investment for the twelve months ended 9/30/2005 was zero dollars. Investment for the twelve months ended 9/30/2006 was $165,000 in cash for 100 shares of common stock with a $0.01 par value per share and a sale price of $1,650 per share.

d. See PSC0031 Attachment D sheets 1 through 10 for internal, unaudited monthly balance sheets and income statements for May 2006 through September 2006.

e. Columbia received $0 and $19,771 income from subsidiary CKT for the twelve months ended 9/30/2005 and 9/30/2006, respectively. The entries associated with this income are:
   Debit FERC Account 123.1 Investment in Subsidiary Companies
   Credit FERC Account 418.1 Equity in Earnings of Subsidiary Companies

f. The requested information contains confidential and proprietary information of Columbia Gas of Kentucky, Inc. Attached is a redacted version of the response. The un-redacted version is being provided under seal to preserve its confidentiality.

Central Kentucky Transmission
Balance Sheet
As of May 31, 2006
For Internal Use Only

	Current Month	Change from Prior Month	Change from Prior Year-End
ASSETS			
Property, Plant and Equipment			
Investments and Other Assets			
Current Assets			
Accounts Receivable - Affiliated	165,000.00	165,000.00	165,000.00
Total Current Assets	165,000.00	165,000.00	165,000.00
Other Assets			
Total Assets	165,000.00	165,000.00	165,000.00
CAPITALIZATION and LIABILITIES			
Capitalization			
Common Stock	10.00	10.00	10.00
Additional Paid in Capital	164,990.00	164,990.00	164,990.00
Total Common Stock Equity	165,000.00	165,000.00	165,000.00
Total capitalization	165,000.00	165,000.00	165,000.00
Current Liabilities			
Other Liabilities and Deferred Credits			
Total Capitalization & Liabilities	165,000.00	165,000.00	165,000.00

Central Kentucky Transmission
Income Statement
For the Month Ended May 31, 2006
For Internal Use Only

	Current Month	Change from Prior Month	Year-To-Date
Operating Revenues			
Total Gross Operating Revenue	-	-	-
Purchase Costs			
Operating Expenses			
Total Operating Expenses	-	-	-
Operating Income(Loss)	-	-	-
Other Income (Deductions)			
Total Other Income (Deductions)	-	-	-
Income from Continuing Operations Before Tax	-	-	-
Income from Continuing Operations	-	-	-
Net Income	-	-	-

Central Kentucky Transmission
Balance Sheet
As of June 30, 2006
For Internal Use Only

	Current Month	Change from Prior Month	Change from Prior Year-End
ASSETS			
Property, Plant and Equipment			
Utility Plant	752,227.17	752,227.17	752,227.17
Accumulated Depreciation and Amortization-Plant	(432,484.09)	(432,484.09)	(432,484.09)
Net Utility Property, Plant, and Equipment	319,743.08	319,743.08	319,743.08
Net Property, Plant, and Equipment	**319,743.08**	**319,743.08**	**319,743.08**
Investments and Other Assets			
Current Assets			
Accounts Receivable - Non-Affiliated	3,344.53	3,344.53	3,344.53
Accounts Receivable - Affiliated	176,025.95	11,025.95	176,025.95
Total Current Assets	**179,370.48**	**14,370.48**	**179,370.48**
Other Assets			
Total Assets	**499,113.56**	**334,113.56**	**499,113.56**
CAPITALIZATION and LIABILITIES			
Capitalization			
Common Stock	10.00	-	10.00
Additional Paid in Capital	164,990.00	-	164,990.00
Retained Earnings - Current Year	4,070.29	4,070.29	4,070.29
Total Common Stock Equity	169,070.29	4,070.29	169,070.29
Total capitalization	**169,070.29**	**4,070.29**	**169,070.29**
Current Liabilities			
Accounts Payable - Affiliated	327,380.27	327,380.27	327,380.27
Taxes Accrued	2,663.00	2,663.00	2,663.00
Total Current Liabilities	**330,043.27**	**330,043.27**	**330,043.27**
Other Liabilities and Deferred Credits			
Total Capitalization & Liabilities	**499,113.56**	**334,113.56**	**499,113.56**

Central Kentucky Transmission
Income Statement
For the Month Ended June 30, 2006
For Internal Use Only

		Current Month	Change from Prior Month	Year-To-Date
Operating Revenues				
Rev Trans ACA	48910030	118.48		118.48
ACA Transportation Revenue		118.48	118.48	118.48
Rev Trans Firm	48910000	3,226.05		3,226.05
Rev Trans Firm Affil	48911000	11,025.95		11,025.95
Firm Transportation Revenue		14,252.00	14,252.00	14,252.00
Total Gas Transportation and Storage Revenue		14,370.48	14,370.48	14,370.48
Total Gross Operating Revenue		**14,370.48**	**14,370.48**	**14,370.48**
Purchase Costs				
Total Net Operating Revenues		14,370.48	14,370.48	14,370.48
Operating Expenses				
Transmission Expense		6,076.00	6,076.00	6,076.00
Total Operation and Maintenance Expenses		6,076.00	6,076.00	6,076.00
Depreciation, Depletion & Amortization		1,561.19	1,561.19	1,561.19
Total Operating Expenses		**7,637.19**	**7,637.19**	**7,637.19**
Operating Income(Loss)		**6,733.29**	**6,733.29**	**6,733.29**
Other Income (Deductions)				
Total Other Income (Deductions)		-	-	-
Income from Continuing Operations Before Tax		6,733.29	6,733.29	6,733.29
Current Payable Income Tax Expense		2,663.00	2,663.00	2,663.00
Total Income Taxes		2,663.00	2,663.00	2,663.00
Income from Continuing Operations		4,070.29	4,070.29	4,070.29
Net Income		**4,070.29**	**4,070.29**	**4,070.29**

Central Kentucky Transmission
Balance Sheet
As of July 31, 2006
For Internal Use Only

	Current Month	Change from Prior Month	Change from Prior Year-End
ASSETS			
Property, Plant and Equipment			
Utility Plant	752,227.17	-	752,227.17
Accumulated Depreciation and Amortization-Plant	(434,045.28)	(1,561.19)	(434,045.28)
Net Utility Property, Plant, and Equipment	318,181.89	(1,561.19)	318,181.89
Net Property, Plant, and Equipment	**318,181.89**	**(1,561.19)**	**318,181.89**
Investments and Other Assets			
Current Assets			
Accounts Receivable - Non-Affiliated	6,649.12	3,304.59	6,649.12
Accounts Receivable - Affiliated	12,267.45	(163,758.50)	12,267.45
Total Current Assets	18,916.57	(160,453.91)	18,916.57
Other Assets			
Total Assets	337,098.46	(162,015.10)	337,098.46
CAPITALIZATION and LIABILITIES			
Capitalization			
Common Stock	10.00	-	10.00
Additional Paid in Capital	164,990.00	-	164,990.00
Retained Earnings - Current Year	8,866.91	4,796.62	8,866.91
Total Common Stock Equity	173,866.91	4,796.62	173,866.91
Total capitalization	173,866.91	4,796.62	173,866.91
Current Liabilities			
Short-term Borrowings	145,278.32	145,278.32	145,278.32
Accounts Payable - Affiliated	12,152.00	(315,228.27)	12,152.00
Taxes Accrued	5,801.23	3,138.23	5,801.23
Total Current Liabilities	163,231.55	(166,811.72)	163,231.55
Other Liabilities and Deferred Credits			
Total Capitalization & Liabilities	337,098.46	(162,015.10)	337,098.46

Central Kentucky Transmission
Income Statement
For the Month Ended July 31, 2006
For Internal Use Only

		Current Month	Change from Prior Month	Year-To-Date
Operating Revenues				
Rev Trans ACA	48910030	-		118.48
Rev Trans of Oth FirmCommodity	48920006	120.30		120.30
Rev Trans of Oth Firm Com Affl	48920007	1,199.75		1,199.75
ACA Transportation Revenue		1,320.05	1,201.57	1,438.53
Rev Trans Firm	48910000	-		3,226.05
Rev Trans Firm Affil	48911000	-		11,025.95
Rev Trans of Oth Firm	48920000	14,251.99		14,251.99
Firm Transportation Revenue		14,251.99	(0.01)	28,503.99
Total Gas Transportation and Storage Revenue		15,572.04	1,201.56	29,942.52
Total Gross Operating Revenue		**15,572.04**	**1,201.56**	**29,942.52**
Purchase Costs				
Total Net Operating Revenues		15,572.04	1,201.56	29,942.52
Operating Expenses				
Transmission Expense		6,076.00	-	12,152.00
Total Operation and Maintenance Expenses		6,076.00	-	12,152.00
Depreciation, Depletion & Amortization		1,561.19	-	3,122.38
Total Operating Expenses		**7,637.19**	**-**	**15,274.38**
Operating Income(Loss)		**7,934.85**	**1,201.56**	**14,668.14**
Other Income (Deductions)				
Total Other Income (Deductions)		-	-	-
Income from Continuing Operations Before Tax		7,934.85	1,201.56	14,668.14
Current Payable Income Tax Expense		3,138.23	475.23	5,801.23
Total Income Taxes		3,138.23	475.23	5,801.23
Income from Continuing Operations		4,796.62	726.33	8,866.91
Net Income		**4,796.62**	**726.33**	**8,866.91**

Central Kentucky Transmission
Balance Sheet
As of August 31, 2006
For Internal Use Only

	Current Month	Change from Prior Month	Change from Prior Year-End
ASSETS			
Property, Plant and Equipment			
Utility Plant	770,438.53	18,211.36	770,438.53
Accumulated Depreciation and Amortization-Plant	(435,606.47)	(1,561.19)	(435,606.47)
Net Utility Property, Plant, and Equipment	334,832.06	16,650.17	334,832.06
Net Property, Plant, and Equipment	**334,832.06**	**16,650.17**	**334,832.06**
Investments and Other Assets			
Current Assets			
Accounts Receivable - Non-Affiliated	10,262.88	3,613.76	10,262.88
Accounts Receivable - Affiliated	27,259.57	14,992.12	27,259.57
Total Current Assets	37,522.45	18,605.88	37,522.45
Other Assets			
Total Assets	372,354.51	35,256.05	372,354.51
CAPITALIZATION and LIABILITIES			
Capitalization			
Common Stock	10.00	-	10.00
Additional Paid in Capital	164,990.00	-	164,990.00
Retained Earnings - Current Year	13,779.26	4,912.35	13,779.26
Total Common Stock Equity	178,779.26	4,912.35	178,779.26
Total capitalization	178,779.26	4,912.35	178,779.26
Current Liabilities			
Short-term Borrowings	135,968.71	(9,309.61)	135,968.71
Accounts Payable - Affiliated	48,591.36	36,439.36	48,591.36
Taxes Accrued	9,015.18	3,213.95	9,015.18
Total Current Liabilities	193,575.25	30,343.70	193,575.25
Other Liabilities and Deferred Credits			
Total Capitalization & Liabilities	372,354.51	35,256.05	372,354.51

Central Kentucky Transmission
Income Statement
For the Month Ended August 31, 2006
For Internal Use Only

	Current Month	Change from Prior Month	Year-To-Date
Operating Revenues			
ACA Transportation Revenue	2,369.32	1,049.27	3,807.85
Firm Transportation Revenue	28,504.00	14,252.01	57,007.99
Total Gas Transportation and Storage Revenue	30,873.32	15,301.28	60,815.84
Total Gross Operating Revenue	**30,873.32**	**15,301.28**	**60,815.84**
Purchase Costs			
Total Net Operating Revenues	30,873.32	15,301.28	60,815.84
Operating Expenses			
Transmission Expense	18,228.00	12,152.00	30,380.00
Total Operation and Maintenance Expenses	18,228.00	12,152.00	30,380.00
Depreciation, Depletion & Amortization	1,561.19	-	4,683.57
Other Taxes	1,874.27	1,874.27	1,874.27
Other Taxes	1,874.27	1,874.27	1,874.27
Total Operating Expenses	**21,663.46**	**14,026.27**	**36,937.84**
Operating Income(Loss)	**9,209.86**	**1,275.01**	**23,878.00**
Other Income (Deductions)			
Interest Expense - Short Term Debt	1,400.72	1,400.72	1,400.72
Total Interest Expense	1,400.72	1,400.72	1,400.72
Interest Income - Money Pool	317.16	317.16	317.16
Total Other Income	317.16	317.16	317.16
Total Other Income (Deductions)	(1,083.56)	(1,083.56)	(1,083.56)
Income from Continuing Operations Before Tax	8,126.30	191.45	22,794.44
Current Payable Income Tax Expense	3,213.95	75.72	9,015.18
Total Income Taxes	3,213.95	75.72	9,015.18
Income from Continuing Operations	4,912.35	115.73	13,779.26
Net Income	**4,912.35**	**115.73**	**13,779.26**

Central Kentucky Transmission
Balance Sheet
As of September 30, 2006
For Internal Use Only

	Current Month	Change from Prior Month	Change from Prior Year-End
ASSETS			
Property, Plant and Equipment			
Utility Plant	770,438.53	-	770,438.53
Accumulated Depreciation and Amortization-Plant	(437,167.66)	(1,561.19)	(437,167.66)
Net Utility Property, Plant, and Equipment	333,270.87	(1,561.19)	333,270.87
Net Property, Plant, and Equipment	**333,270.87**	**(1,561.19)**	**333,270.87**
Investments and Other Assets			
Current Assets			
Accounts Receivable - Non-Affiliated	10,262.91	0.03	10,262.91
Accounts Receivable - Affiliated	15,044.75	(12,214.82)	15,044.75
Total Current Assets	25,307.66	(12,214.79)	25,307.66
Other Assets			
Total Assets	358,578.53	(13,775.98)	358,578.53
CAPITALIZATION and LIABILITIES			
Capitalization			
Common Stock	10.00	-	10.00
Additional Paid in Capital	164,990.00	-	164,990.00
Retained Earnings - Current Year	19,770.71	5,991.45	19,770.71
Total Common Stock Equity	184,770.71	5,991.45	184,770.71
Total capitalization	184,770.71	5,991.45	184,770.71
Current Liabilities			
Short-term Borrowings	124,433.32	(11,535.39)	124,433.32
Accounts Payable - Affiliated	36,439.36	(12,152.00)	36,439.36
Taxes Accrued	12,935.14	3,919.96	12,935.14
Total Current Liabilities	173,807.82	(19,767.43)	173,807.82
Other Liabilities and Deferred Credits			
Total Capitalization & Liabilities	358,578.53	(13,775.98)	358,578.53

Central Kentucky Transmission
Income Statement
For the Month Ended September 30, 2006
For Internal Use Only

		Current Month	Change from Prior Month	Year-To-Date
Operating Revenues				
Rev Trans ACA	48910030	-		118.48
Rev Trans of Oth FirmCommodity	48920006	-		320.62
Rev Trans of Oth Firm Com Affl	48920007	-		3,368.75
ACA Transportation Revenue		-	(2,369.32)	3,807.85
Rev Trans Firm	48910000	-		3,226.05
Rev Trans Firm Affil	48911000	-		11,025.95
Rev Trans of Oth Firm	48920000	(11,130.30)		31,625.69
Rev Trans of Oth Firm Affil	48920001	11,130.31		11,130.31
Firm Transportation Revenue		0.01	(28,503.99)	57,008.00
Total Gas Transportation and Storage Revenue		0.01	(30,873.31)	60,815.85
Total Gross Operating Revenue		**0.01**	**(30,873.31)**	**60,815.85**
Purchase Costs				
Total Net Operating Revenues		0.01	(30,873.31)	60,815.85
Operating Expenses				
Transmission Expense		(12,152.00)	(30,380.00)	18,228.00
Total Operation and Maintenance Expenses		(12,152.00)	(30,380.00)	18,228.00
Depreciation, Depletion & Amortization		1,561.19	-	6,244.76
Other Taxes		-	(1,874.27)	1,874.27
Other Taxes		-	(1,874.27)	1,874.27
Total Operating Expenses		**(10,590.81)**	**(32,254.27)**	**26,347.03**
Operating Income(Loss)		**10,590.82**	**1,380.96**	**34,468.82**
Other Income (Deductions)				
Interest Expense - Short Term Debt		679.41	(721.31)	2,080.13
Total Interest Expense		679.41	(721.31)	2,080.13
Interest Income - Money Pool		-	(317.16)	317.16
Total Other Income		-	(317.16)	317.16
Total Other Income (Deductions)		(679.41)	404.15	(1,762.97)
Income from Continuing Operations Before Tax		9,911.41	1,785.11	32,705.85
Current Payable Income Tax Expense		3,919.96	706.01	12,935.14
Total Income Taxes		3,919.96	706.01	12,935.14
Income from Continuing Operations		5,991.45	1,079.10	19,770.71
Net Income		**5,991.45**	**1,079.10**	**19,770.71**

Public Service Commission Data Request Set 1 - Question Number 31
State of Officers - Central Kentucky Transmission Company (CKT) and Columbia Gas of Kentucky, Inc. (CKY)
For the Twelve Months Ended (TME) September 30, 2005 and 2006

Name	Officer Title - CKT	Time Period	Officer Title - CKY	Time Period	Calendar Year 2005 Annual Annual Salary	TME 9/30/2006 Annual Salary	Calendar Year 2005 Percentage Alloc to CKY	TME 9/30/2006 Percentage Alloc to CKY	TME 9/30/2005 Salary Allocated to CKY (#32)	TME 9/30/2006 Salary Allocated to CKY (#32)	TME 9/30/2005 Salary Allocated to CKT (#85)	TME 9/30/2006 Salary Allocated to CKT (#85)
Christopher A. Helms	President	3/1/2006 - Present	Not applicable	Not applicable	Not applicable	Not applicable	0.00%	0.00%	$ -	$ -	$ -	$ -
Glen L. Kettering	President	9/30/2004 - 3/1/2006	Not applicable	Not applicable	Not applicable		0.00%	2.98%	$ -	$ -	$ -	$ -
Claire Burum	Sr. Vice President, Regulatory Affairs	7/1/2006 - Present	Not applicable	Not applicable	Not applicable	Not applicable	0.00%	0.00%	$ -	$ -	$ -	$ -
Victor M. Gaglio	Sr. Vice President, Operations & Engineering	3/1/2006 - Present	Not applicable	Not applicable	Not applicable	Not applicable	0.00%	0.00%	$ -	$ -	$ -	$ -
	VP, Field Services, Operations	9/30/2004 - 3/1/2006	Not applicable	Not applicable	Not applicable	Not applicable	0.00%	0.00%	$ -	$ -	$ -	$ -
James F. Thomas	Sr. Vice President & Chief Commercial Officer	3/1/2006 - Present	Not applicable	Not applicable	Not applicable	Not applicable	0.00%	0.00%	$ -	$ -	$ -	$ -
Brian K. Adams	VP, Marketing - East	12/1/2005 - Present	Not applicable	Not applicable	Not applicable	Not applicable	0.00%	0.00%	$ -	$ -	$ -	$ -
James W. Hart, Jr.	VP, Marketing - South	12/1/2005 - Present	Not applicable	Not applicable	Not applicable	Not applicable	0.00%	0.00%	$ -	$ -	$ -	$ -
R. Douglas Walker	VP, Marketing - West	12/1/2005 - Present	Not applicable	Not applicable	Not applicable	Not applicable	0.00%	0.00%	$ -	$ -	$ -	$ -
Michael J. Strauss	VP, Marketing Development	12/1/2005 - Present	Not applicable	Not applicable	Not applicable	Not applicable	0.00%	0.00%	$ -	$ -	$ -	$ -
Jeffrey W. Grossman	Vice President	9/30/2004 - Present	Vice President	5/29/02 - Present			2.74%	2.91%		$ -	$ -	$ -
Carl W. Levander	VP, Marketing & Regulatory Strategy	9/30/2004 - 12/1/2005	Not applicable	Not applicable	Not applicable	Not applicable	0.00%	0.00%	$ -	$ -	$ -	$ -
	VP, Policy & Regulation	12/1/2005 - 1/4/2006	Not applicable	Not applicable	Not applicable	Not applicable	0.00%	0.00%	$ -	$ -	$ -	$ -
William Harris Marple	VP, Pipeline Operations	9/30/2004 - 4/15/2005	Not applicable	Not applicable			4.30%	3.89%	$ -	$ -	$ -	$ -
Gary W. Potteff	VP, Administration & Corporate Secretary	6/1/2006 - Present	VP, Administration & Corporate Secretary	6/3/2006 - Present	Not applicable		0.00%	0.20%	$ -	$ -	$ -	$ -
	Corporate Secretary	9/30/2004 - 6/3/2006	Corporate Secretary	5/11/2004 - 6/3/2006	Not applicable	See above	See above	See above	See above	See above	$ -	$ -
Reed D. Robinson	VP, Engineering Services	9/30/2004 - Present	Not applicable	Not applicable	Not applicable	Not applicable	0.00%	0.00%	$ -	$ -	$ -	$ -
David J. Vajda	Vice President & Treasurer	9/30/2004 - Present	Vice President & Treasurer	9/26/02 - Present			2.77%	2.93%	$ -	$ -	$ -	$ -
Michael D. Watson	VP, Pricing & Volume Management	9/30/2004-2/22/2006	Vice President, Energy Supply Services	2/23/2006 - Present	Not applicable		0.00%	3.84%	$ -	$ -	$ -	$ -
Karen D. Townsend	Controller	9/30/2004 - Present	Not applicable	Not applicable	Not applicable	Not applicable	0.61%	1.81%	$ -	$ -	$ -	$ -
John M. O'Brien	Assistant Controller	9/30/2004 - Present	Assistant Controller	5/29/02 - Present			2.67%	2.93%	$ -	$ -	$ -	$ -
Vincent V. Rea	Assistant Treasurer	9/30/2004 - Present	Assistant Treasurer	5/29/02 - Present			2.77%	2.93%	$ -	$ -	$ -	$ -

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JANAURY 25, 2007

Question No. 32

Provide the following information with regard to uncollectible accounts for the test year and 5 preceding calendar years (taxable year acceptable) for the gas operations:

a. Reserve account balance at the beginning of the year.

b. Charges to reserve account (accounts charged off).

c. Credits to reserve account.

d. Current year provision.

e. Reserve account balance at the end of the year.

f. Percent of provision to total revenue.

Response of Columbia Gas of Kentucky:

Please see PSC0032 Attachment for detailed information on gas operation uncollectible accounts.

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2007-00008
COMPARATIVE INFORMATION FOR UNCOLLECTIBLE ACCOUNTS
12/31/01 THROUGH 09/30/06
GAS OPERATIONS

PSC0032 Attachment

Description	9/30/2006	2005	2004	2003	2002	2001
	$	$	$	$	$	$
Reserve account balance at the beginning of the year	509,163	430,446	376,886	77,235	348,888	228,823
Charges to reserve (accounts charged off)	(1,839,590)	(1,530,085)	(1,957,623)	(1,509,328)	(999,423)	(2,470,122)
Credits to reserve account	406,571	625,308	808,996	669,633	715,087	1,007,036
Current year provision	1,151,448	983,494	1,202,187	1,139,346	12,688	1,583,151
Reserve account balance at the end of the year	227,592	509,163	430,446	376,886	77,240	348,888
Total Company Revenue (Excludes Unbilled)	177,995,477	162,379,698	145,999,763	135,478,691	114,652,820	158,970,742
Percent of provision to total revenue	0.6469%	0.6057%	0.8234%	0.8410%	0.0111%	0.9959%

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JANAURY 25, 2007

Question No. 33

Provide a detailed analysis of the retained earnings account for the test period and the 12-month period immediately preceding the test period.

Response of Columbia Gas of Kentucky:

See PSC0033 Attachment.

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2007-00008
ANALYSIS OF RETAINED EARNINGS
FOR THE TEST PERIOD AND THE PRECEEDING TWELVE MONTHS

PSC0033 Attachment

Description	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06
Balance at Beginning of Period	48,664,489	48,863,521	49,987,750	52,977,027	55,595,845	57,584,828	58,635,089	58,688,658	58,641,393	58,057,906	57,894,474	57,489,608
Net Income	199,032	1,124,229	2,989,277	2,618,818	1,988,983	1,050,261	53,569	(47,265)	(583,487)	(163,432)	(404,866)	(119,863)
Cash Dividends	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Balance at End of Period	48,863,521	49,987,750	52,977,027	55,595,845	57,584,828	58,635,089	58,688,658	58,641,393	58,057,906	57,894,474	57,489,608	57,369,745

Description	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05
Balance at Beginning of Period	46,058,735	45,814,280	46,537,763	49,057,807	52,110,318	54,361,893	55,983,797	52,529,305	52,392,461	51,020,200	50,191,585	49,491,602
Net Income	(244,455)	723,483	2,520,044	3,052,511	2,251,575	1,621,904	545,507	(136,844)	(1,372,261)	(828,615)	(699,983)	(827,113)
Cash Dividends	0	0	0	0	0	0	(3,999,999)	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Balance at End of Period	45,814,280	46,537,763	49,057,807	52,110,318	54,361,893	55,983,797	52,529,305	52,392,461	51,020,200	50,191,585	49,491,602	48,664,489

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JANAURY 25, 2007

Question No. 34

Provide a listing of all non-utility property, related property taxes, and accounts where amounts are recorded. Include a description of the property, the date purchased, and the cost.

Response of Columbia Gas of Kentucky:

The Company does not have any non-utility property recorded on its books.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JANAURY 25, 2007

Question No. 35

Provide rates of return in Format 35.

Response of Columbia Gas of Kentucky:

Debt cost component used for development of Original Cost Equity is as was filed in Case Number 2002-00145.

Please see PSC0035 Attachment Format 35.

Columbia Gas of Kentucky, Inc.

Case No. 2007-00008

Average Rates of Return
For the Calendar Years 2001 through 2005 and the 12 Months Ended September 30, 2006

Line No.	Item (a)	Gas Operations (b)	Kentucky Jurisdiction (c)	Other Jurisdictions (d)
1.	Original cost net investment:			
2.	5th Year	10.59%	10.59%	0.00%
3.	4th Year	9.47%	9.47%	0.00%
4.	3rd Year	9.85%	9.85%	0.00%
5.	2nd Year	7.19%	7.19%	0.00%
6.	1st Year	5.40%	5.40%	0.00%
7.	Test Year	4.84%	4.84%	0.00%
8.	Original cost common equity:			
9.	5th Year	15.02%	15.02%	0.00%
10.	4th Year	12.78%	12.78%	0.00%
11.	3rd Year	13.54%	13.54%	0.00%
12.	2nd Year	8.22%	8.22%	0.00%
13.	1st Year	4.63%	4.63%	0.00%
14.	Test Year	3.52%	3.52%	0.00%

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JANUARY 25, 2007

Question No. 36

Provide employee data in Format 36.

Response of Columbia Gas of Kentucky:

Please see the attached schedule. The number of employees, hours per employee and wages per employee were placed in each category based on the employee's Home Cost Center. A list of current Home Cost Centers is shown below. During the six years requested, some Home Cost Centers have been eliminated and new Home Cost Centers were added.

Home Cost Centers – CKY

1815 - VP Technical Operations
- Distribution

1816 - Measuring & Regulation & Corrosion
- Distribution

1817 - Engineering Services
- Distribution

1818 - Construction Services
- Distribution

1825 - Dir. Regulatory & Compliance
- Distribution

1826 - Dir Admin Support
- Distribution

1854 - Communications
- Distribution

2610 – VP/COO; Admin Assist; Accounts payable; Customer Programs
- Administrative and General

2611 – Customer Phone Center
- Customer Service and Information

2612 – Engineering; Capital Team
- Construction

2616 – Marketing and Sales
- Sales

2617 – Human Resources
- Administrative and General

2618 – State Operations ; Directors of Operations and marketing
- Administrative and General

2621 – Lexington Area Field Operations
- Distribution

2623 – Frankfort Area Field Operations
- Distribution

2627 – Paris Area Field Operations
- Distribution

2629 – Winchester Area Field Operations
- Distribution

2631 – Ashland Area Field Operations
- Distribution

2632 – Maysville Area Field Operations
- Distribution

2633 – East Point Area Field Operations
- Distribution

2635 – Administrative – Operations Center
- Distribution

Columbia Gas of Kentucky, Inc.

Case No. 2007-00008

Gas Operations

Schedule of Number of Employees, Hours per Employee, and Average Wages per Employee

Calendar Years Prior to	Production			Natural Gas Storage Terminating & Processing			Transmission			Distribution			Customer Accounts		
Teat Year (a)	No. (b)	Hrs. (c)	Wages (d)	No. (e)	Hrs. (f)	Wages (g)	No. (h)	Hrs. (i)	Wages (j)	No. (k)	Hrs. (l)	Wages (m)	No. (n)	Hrs. (o)	Wages (p)
5th Year										117	4,672	831			
% Change															
4th Year										127	5,037	878			
% Change										8.55%	7.81%	5.66%			
3rd Year										127	5,048	924			
% Change										0.00%	0.22%	5.24%			
2nd Year										123	4,958	974			
% Change										-3.15%	-1.78%	5.41%			
1st Year										121	4,859	999			
% Change										-1.63%	-2.00%	2.57%			
Test Year										121	4,807	1,010			
% Change										0.00%	-1.07%	1.10%			

Note:

(1) Where an employee's wages are charged to more than one function include employee in function receiving largest portion of total wages.

(2) Show percentage increase (decrease) of each year over the prior year on lines designated above "% Change."

(3) Employees, weekly hours per employee, and weekly wages per employee for the week including December 31, of each year and the last day of the test year

Columbia Gas of Kentucky, Inc.

Case No. 2007-00008

Gas Operations

Schedule of Number of Employees, Hours per Employee, and Average Wages per Employee

Calendar Years Prior to	Customer Service and Information			Sales			Administrative and General			Construction			Total		
Teat Year (a)	No. (q)	Hrs. (r)	Wages (s)	No. (t)	Hrs. (u)	Wages (v)	No. (w)	Hrs. (x)	Wages (y)	No. (z)	Hrs. (aa)	Wages (bb)	No. (cc)	Hrs. (dd)	Wages (ee)
5th Year	34	1,344	694	9	355	911	20	747	1,182	9	354	973	189	7,472	4,591
% Change															
4th Year	35	1,329	669	5	171	766	14	568	1,128	1	41	979	182	7,146	4,420
% Change	2.94%	-1.12%	-3.60%	-44.44%	-51.83%	-15.92%	-30.00%	-23.96%	-4.57%	-88.89%	-88.42%	0.62%	-3.70%	-4.36%	-3.72%
3rd Year	41	1,634	667	1	42	1,017	7	252	891				176	6,976	3,499
% Change	17.14%	22.95%	-0.30%	-80.00%	-75.44%	32.77%	-50.00%	-55.63%	-21.01%				-3.30%	-2.38%	-20.84%
2nd Year	39	1,534	688				6	248	1,523				168	6,740	3,185
% Change	-4.88%	-6.12%	3.15%	-100.00%	-100.00%	-100.00%	-14.29%	-1.59%	70.93%				-4.55%	-3.38%	-8.97%
1st Year	17	667	803	1	41	1,331	4	163	1,737				143	5,730	4,870
% Change	-56.41%	-56.52%	16.72%	0.00%	0.00%	0.00%	-33.33%	-34.27%	14.05%				-14.88%	-14.99%	52.90%
Test Year	6	239	754	2	78	1,324	6	235	1,648				135	5,359	4,736
% Change	-64.71%	-64.17%	-6.10%	100.00%	90.24%	-0.53%	50.00%	44.17%	-5.12%				-5.59%	-6.47%	-2.75%

Note:

(1) Where an employee's wages are charged to more than one function include employee in function receiving largest portion of total wages.

(2) Show percentage increase (decrease) of each year over the prior year on lines designated above "% Change."

(3) Employees, weekly hours per employee, and weekly wages per employee for the week including December 31, of each year and the last day of the test year

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JANAURY 25, 2007

Question No. 37

Provide the studies for the test year, including all applicable workpapers, which are the basis of jurisdictional plant allocations and expense account allocations.

Response of Columbia Gas of Kentucky:

Columbia Gas of Kentucky's plant accounts and expenses accounts are 100% jurisdictional.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JANUARY 25, 2007

Question No. 38

Provide a calculation of the rate or rates used to capitalize interest during construction for the test year and the 3 preceding calendar years. Explain each component entering into the calculation of this rate.

Response of Columbia Gas of Kentucky:

Please see PSC0038 Attachment.

COLUMBIA GAS OF KENTUCKY, INC.
ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION
FOR THE YEARS 2003 - 2006

2006

	Amount ($000)	Capitalization Ratio		Cost Rate		Weight	Weighted Cost Rate	AFUDC Rate
Weighted Average Short-Term Debt Balance (S)	77,286			4.22%	x	1.0000	4.22%	4.22%
Total Capitalization	77,286	1.0000						
Total AFUDC Rate								4.22%
Short Term Interest Expense (I)	3,264							
Average of 13 Monthly Construction Work in Progress Balances	41,887							

2005

	Amount ($000)	Capitalization Ratio		Cost Rate		Weight	Weighted Cost Rate	AFUDC Rate
Weighted Average Short-Term Debt Balance (S)	110,517			2.30%	x	1.0000	2.30%	2.30%
Long-Term Debt Beginning of Year	1,075,924	0.2664	x	9.10%	x	0.0000	0.00%	0.00%
Common Equity Beginning of Year	2,962,805	0.7336	x	12.98%	x	0.0000	0.00%	0.00%
Total Capitalization	4,038,729	1.0000						
Total AFUDC Rate								2.30%
Short Term Interest Expense (I)	2,542							
Average of 13 Monthly Construction Work in Progress Balances	88,487							

2004

	Amount ($000)	Capitalization Ratio		Cost Rate		Weight	Weighted Cost Rate	AFUDC Rate
Weighted Average Short-Term Debt Balance (S)	168,938			2.05%	x	1.0000	2.05%	2.05%
Long-Term Debt Beginning of Year	1,356,907	0.3457	x	7.22%	x	0.0000	0.00%	0.00%
Common Equity Beginning of Year	2,568,575	0.6543	x	12.98%	x	0.0000	0.00%	0.00%
Total Capitalization	3,925,482	1.0000						
Total AFUDC Rate								2.05%
Short Term Interest Expense (I)	3,463							
Average of 13 Monthly Construction Work in Progress Balances	103,684							

2003

	Amount ($000)	Capitalization Ratio		Cost Rate		Weight	Weighted Cost Rate	AFUDC Rate
Weighted Average Short-Term Debt Balance (S)	341,326			1.79%	x	1.0000	1.79%	1.79%
Long-Term Debt Beginning of Year	1,357,212	0.3616	x	7.23%	x	0.0000	0.00%	0.00%
Common Equity Beginning of Year	2,396,266	0.6384	x	12.98%	x	0.0000	0.00%	0.00%
Total Capitalization	3,753,478	1.0000						
Total AFUDC Rate								1.79%
Short Term Interest Expense (I)	6,110							
Average of 13 Monthly Construction Work in Progress Balances	152,747							

Note - All amounts represent Columbia Energy Group in total, with the AFUDC rate calculated by dividing the Short Term Interest Expense (I) by the Weighted Average Short Term Debt Balance (S).

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JANUARY 25, 2007

Question No. 39

Provide the following information concerning Columbia and its affiliated service Corporation:

a. A schedule detailing the Columbia costs directly charged and allocated to the Service Corporation. Indicate the Columbia accounts where these costs were originally recorded and whether the costs were associated with Kentucky jurisdictional gas operations only, other jurisdictional gas operations only, or total company gas operations. For the costs that are allocated, include a description of the allocation factors utilized.

b. A schedule detailing the Service Corporation costs directly charged and allocated to Columbia. Indicate the Columbia accounts where these costs were originally recorded and whether the costs were associated with Kentucky jurisdictional gas operations only, other jurisdictional gas operations only, or total company gas operations.

Response:

a. Columbia charged the Service Corporation $14,555.47 for PNC bank service charges during the 12 months ending 9/30/06. These costs were originally recorded as a receivable from Service Corporation.

b. The Service Corporation billed Columbia $9,541,794.74 during the 12 months ended 9/30/06. These costs were billed as follows:

Service Corporation Costs	Amount
Direct Billed to CKY	3,238,478.02
Allocated to CKY	6,303,316.72

Public Service Commission Data Request Set 1
Question No. **39 (Cont'd)**
Columbia Gas of Kentucky Respondent: Susanne Taylor
Kelly Humrichouse

b. continued

These costs were for total company gas operations. These charges were recorded to the following accounts:

Account	Description	Amount
107	Construction Work In Progress	246,743.06
426	Other Deductions	(46.35)
870	Operation Supervision & Engineering	27,940.64
874	Mains & Services Expenses	17,113.28
880	Other Distribution Expenses	51,326.19
903	Customer Records & Collection Expenses	4,418.24
923	Outside Services	9,122,580.95
924	Property Insurance	71,718.73
TOTAL		9,541,794.74

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JANUARY 25, 2007

Question No. 40

Provide detailed monthly income statements for each month after the test period, including the month in which the hearing ends, as they become available.

Response of Columbia Gas of Kentucky:

Please see PSC0040 Attachment for the monthly income statements for October, November and December 2006.

PSC0040 ATTACHMENT

COLUMBIA GAS OF KENTUCKY, INC.
STATEMENT OF INCOME
AT OCTOBER 31, 2006

	ACCOUNT	CURRENT MONTH ACTUAL	CURRENT MONTH INCREASE PREV. YEAR	12 MONTHS ENDED ACTUAL	12 MONTHS ENDED INCREASE PREV. YEAR
1	UTILITY OPERATING INCOME				
2	OPERATING REVENUES (400)	9,164,154	591,765	188,258,817	39,328,697
3	OPERATING EXPENSES:				
4	OPERATING EXPENSES (401)	7,776,095	313,585	164,821,834	38,369,997
5	MAINTENANCE EXPENSES (402)	165,083	(2,730)	2,177,849	47,403
6	DEPRECIATION EXPENSE (403)	405,847	10,887	4,813,645	98,283
7	AMORT AND DEPL OF UTIL PLANT (404-405)	43,321	3,231	517,314	40,644
8	AMORT OF UTIL PLANT ACQ ADJ (406)	-	-	-	-
9	AMORT OF PROPERTY LOSSES, UNRECOVE RED PLANT AND REGULATORY STUDY COSTS (407)	-	-	-	-
10	AMORT OF CONVERSION EXPENSES (407)	-	-	-	-
11	REGULATORY DEBITS (407.3)	-	-	-	-
12	(LESS) REGULATORY CREDITS (407.4)	-	-	-	-
13	TAXES OTHER THAN INCOME TAXES (408.1)	195,503	38,980	2,230,447	(153)
14	INCOME TAXES - FEDERAL (409.1)	(416,638)	(804,759)	3,304,184	(568,555)
15	- OTHER (409.1)	(592,344)	(520,116)	(45,491)	(709,422)
16	PROV FOR DEFERRED INC TAXES (410.1)	1,205,324	433,460	5,682,590	1,608,468
17	(LESS) PROVISION FOR DEFERRED INCOME TAXES-CR. (411.1)	(410,673)	805,413	(5,088,923)	(151,834)
18	INVESTMENT TAX CREDIT ADJ - NET (411.4)	(7,309)	(1)	(87,705)	1,072
19	(LESS) GAINS FROM DISP. OF UTILITY PLANT (411.6)	-	-	-	-
20	LOSSES FROM DISPOS OF UTIL PLANT (411.7)	-	-	-	-
21	(LESS) GAINS FROM DISPOSITION OF ALLOWANCES (411.8)	-	-	-	-
22	LOSSES FROM DISPOSITION OF ALLOWANCES (411.9)	-	-	-	-
23	TOTAL UTILITY OPERATING EXPENSES	8,364,209	277,950	178,325,744	38,735,903
24	NET UTILITY OPERATING INCOME	799,945	313,815	9,933,073	592,794
26	OTHER INCOME AND DEDUCTIONS				
27	OTHER INCOME:				
28	NONUTILITY OPERATING INCOME				
29	REVENUES FROM MERCHANDISING, JOBBING AND CONTRACT WORK (415)	-	-	-	-
30	(LESS) COSTS AND EXP. OF MERCHANDISING, JOB & CONTRACT WORK (416)	-	-	-	-
31	REVENUES FROM NONUTILITY OPERATIONS (417)	41,970	19,501	1,160,420	32,981
32	(LESS) EXPENSES OF NONUTILITY OPERATOPHS (417.1)	-	-	-	-
33	NONOPERATING RENTAL INCOME (418)	(2,356)	(2,356)	(22,126)	(22,126)
34	EQUITY IN EARNINGS OF SUBSID COS (418.1)	-	-	-	-
35	INTEREST AND DIVIDEND INCOME (419)	6,463	2,241	543,488	111,442
36	ALLOW FOR OTHER FUNDS USED DURING CONSTR (419.1)	-	-	-	-
37	MISCELLANEOUS NONOPERATING INCOME (421)	197,973	91,177	1,993,215	918,124
38	GAIN ON DISPOSITION OF PROPERTY (421.1)	-	-	(1,111)	(1,111)
39	TOTAL OTHER INCOME (ENTER TOTAL OF LINES 29 THRU 38)	248,762	115,275	3,718,138	1,083,562
40	OTHER INCOME DEDUCTIONS:				
41	LOSS ON DISPOSITION OF PROPERTY (421.2)	-	-	602	602
42	MISCELLANEOUS AMORTIZATION (425)	-	-	-	-
43	MISC INCOME DEDUCTIONS (426.1-426.5)	18,659	(55,626)	221,819	(216,246)
44	TOTAL OTHER INCOME DEDUCTIONS (TOTAL OF LINES 41 THRU 43)	18,659	(55,626)	222,421	(215,644)

COLUMBIA GAS OF KENTUCKY, INC.
STATEMENT OF INCOME
AT OCTOBER 31, 2006

	ACCOUNT	CURRENT MONTH ACTUAL	CURRENT MONTH INCREASE PREV. YEAR	12 MONTHS ENDED ACTUAL	12 MONTHS ENDED INCREASE PREV. YEAR
45	TAXES APPLIC TO OTHER INCOME AND DEDUCTIONS:	-	-	-	-
46	TAXES OTHER THAN INCOME TAXES (408.2)	-	-	-	-
47	INCOME TAXES - FEDERAL (409.2)	(386,350)	(393,433)	907,736	83,611
48	- OTHER (409.2)	-	-	-	-
49	PROVISION FOR DEFERRED INC TAXES (410.2)	476,872	453,976	476,872	418,311
50	(LESS) PROVISION FOR DEFERRED INCOME TAXES-CR. (411.2)	-	-	-	-
51	INVESTMENT TAX CREDIT ADJ - NET (411.5)	-	-	-	-
52	INVESTMENT TAX CREDITS (420)	-	-	-	-
53	TOTAL TAXES ON OTHER INCOME AND DED. (TOTAL OF 46 THRU 52)	90,522	60,543	1,384,608	501,922
54	NET OTHER INCOME AND DEDUCTIONS (ENT ER TOTAL OF LINES 39, 44, 53)	139,581	110,358	2,111,109	797,284
55	INTEREST CHARGES				
56	INTEREST ON LONG-TERM DEBT (427)	-	-	-	-
57	AMORT OF DEBT DISC AND EXP (428)	-	-	-	-
58	AMORT OF LOSS ON REACQUIRED DEBT (428.1)	-	-	-	-
59	(LESS) AMORT. OF PREMIUM ON DEBT-CREDIT (429)	-	-	-	-
60	(LESS) AMORT. OF GAIN ON REACQ. DEBT-CR. (429.1)	-	-	-	-
61	INTEREST ON DEBT TO ASSOC. CO. (430)	207,792	(86,245)	2,684,848	(595,164)
62	OTHER INTEREST EXPENSE (431)	29,290	4,959	354,272	54,733
63	(LESS) ALLOW. FOR BORROWED FUNDS USED DURING CONST.-CR (432)	(13,485)	(11,438)	(217,091)	(242,404)
64	NET INTEREST CHARGES (ENTER TOTAL OF LINES 25, 54, 64)	223,597	(92,724)	2,822,029	(782,835)
65	INCOME BEFORE EXTRAORDINARY ITEMS	715,929	516,897	9,222,153	2,172,913
66	EXTRAORDINARY ITEMS				
67	EXTRAORDINARY INCOME (434)	-	-	-	-
68	(LESS) EXTRAORDINARY DEDUCTIONS (435)	-	-	-	-
59	NET EXTRAORDINARY ITEMS (ENTER TOTAL OF LINE 67 LESS LINE 68)	-	-	-	-
70	INCOME TAXES - FEDERAL AND OTHER (409.3 & 410.3)	-	-	-	-
71	EXTRAORDINARY ITEMS AFTER TAXES	-	-	-	-
72	NET INCOME (ENTER TOTAL OF LINES 65 AND 71)	715,929	516,897	9,222,153	2,172,913

COLUMBIA GAS OF KENTUCKY, INC.
COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)
AT OCTOBER 31, 2006

	TITLE OF ACCOUNT	OCTOBER CURRENT YEAR	OCTOBER PRIOR YEAR	INCREASE OR DECREASE
1	UTILITY PLANT			
2	UTILITY PLANT (101-106,114)	250,121,436	243,039,968	7,081,468
3	CONSTRUCTION WORK IN PROGRESS (107)	3,234,943	2,512,430	722,513
4	TOTAL UTILITY PLANT (LINES 2 AND 3)	253,356,379	245,552,398	7,803,981
5	(LESS) ACCUM PROV FOR DEPR, AMORT, DEPL (108,111,115)	(112,382,656)	(109,437,662)	(2,944,994)
6	NET UTILITY PLANT, LESS NUCLEAR FUEL (LINE 4 LESS 5)	140,973,723	136,114,736	4,858,987
7	NUCLEAR FUEL (120.0-120.4,120.6)	-	-	-
8	(LESS) ACCUM PROV FOR AMORT OF NUC FUEL ASSEMB (120.5)	-	-	-
9	NET NUCLEAR FUEL (LINE 7 LESS 8)	-	-	-
10	NET UTILITY PLANT (LINES 6 AND 9)	140,973,723	136,114,736	4,858,987
11	UTILITY PLANT ADJUSTMENTS (116)	-	-	-
12	GAS STORED UNDERGROUND (117)	-	-	-
13	OTHER PROPERTY AND INVESTMENTS			
14	NONUTILITY PROPERTY (121)	-	-	-
15	(LESS) ACCUM PROV FOR DEPR AND AMORT (122)	-	-	-
16	INVESTMENTS IN ASSOCIATED COMPANIES (123)	-	-	-
17	INVESTMENTS IN SUBSIDIARY COMPANIES (123.1)	187,124	-	187,124
18	(FOR COST OF ACCT 123.1, SEE FOOTNOTE PAGE 224, LINE 42)			
19	NONCURRENT PORTION OF ALLOWANCES	-	-	-
20	OTHER INVESTMENTS (124)	-	-	-
21	SPECIAL FUNDS (125-128)	-	-	-
22	TOTAL OTHER PROPERTY AND INVEST (LINES 14 -17, 19-21)	187,124	-	187,124
23	CURRENT AND ACCRUED ASSETS			
24	CASH (131)	601,551	384,081	217,470
25	SPECIAL DEPOSITS (132-134)	-	-	-
26	WORKING FUNDS (135)	8	1,207	(1,199)
27	TEMPORARY CASH INVESTMENTS (136)	2,734,435	(5)	2,734,440
28	NOTES RECEIVABLE (141)	22	22	-
29	CUSTOMER ACCOUNTS RECEIVABLE (142)	6,114,566	5,478,783	635,783
30	OTHER ACCOUNTS RECEIVABLE (143)	(600,101)	(1,325,941)	725,840
31	(LESS) ACCUM PROV FOR UNCOLLECT ACCT - CREDIT (144)	(299,730)	(273,804)	(25,926)
32	NOTES REC FROM ASSOCIATED COMPANIES (145)	-	-	-
33	ACCOUNTS REC FROM ASSOC COMPANIES (146)	59,582	4,095,162	(4,035,580)
34	FUEL STOCK (151)	22	22	-
35	FUEL STOCK EXPENSE UNDISTRIBUTED (152)	-	-	-
36	RESIDUALS (ELEC) AND EXTRACTED PROD (GAS) (153)	-	-	-
37	PLANT MATERIALS AND OPERATING SUPPLIES (154)	40,780	39,405	1,375
38	MERCHANDISE (155)	-	-	-
39	OTHER MATERIALS AND SUPPLIES (156)	-	-	-
40	NUCLEAR MATERIALS HELD FOR SALE (157)	-	-	-
41	ALLOWANCES (158.1 AND 158.2)	-	-	-
42	NONCURRENT PORTION OF ALLOWANCES	-	-	-
43	STORES EXPENSE UNDISTRIBUTED (163)	(30)	(30)	-
44	GAS STORED UNDERGROUND-CURRENT (164.1)	71,172,979	72,256,379	(1,083,400)
45	LIQUEFIED NATURAL GAS HELD FOR PROCESSING (164.2-164.3)	2	2	-

COLUMBIA GAS OF KENTUCKY, INC.
COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)
AT OCTOBER 31, 2006

TITLE OF ACCOUNT	OCTOBER CURRENT YEAR	OCTOBER PRIOR YEAR	INCREASE OR DECREASE
46 PREPAYMENTS (165)	596,801	503,851	92,950
47 ADVANCES FOR GAS (166-167)	-	-	-
48 INTEREST AND DIVIDENDS RECEIVABLE (171)	(57)	(65)	8
49 RENTS RECEIVABLE (172)	-	-	-
50 ACCRUED UTILITY REVENUES (173)	7,472,668	5,970,618	1,502,050
51 MISCELLANEOUS CURRENT AND ACCRUED ASSETS (174)	199,871	2,988,586	(2,788,715)
52 TOTAL CURRENT AND ACCRUED ASSETS (LINES 24 THRU 51)	88,093,369	90,118,273	(2,024,904)
53 DEFERRED DEBITS			
54 UNAMORTIZED DEBT EXPENSE (181)	-	-	-
55 EXTRAORDINARY PROPERTY LOSSES (182.1)	-	-	-
56 UNRECOVERED PLANT AND REG STUDY COSTS (182.2)	-	-	-
57 OTHER REGULATORY ASSETS (182.3)	3,640,404	2,525,113	1,115,291
58 PRELIM SURVEY AND INVEST CHRGS - ELECTRIC (183)	-	-	-
59 PRELIM SURVEY AND INVEST CHRGS - GAS (183.1, 183.2)	236,513	805,340	(568,827)
60 CLEARING ACCOUNTS (184)	(9,101)	(126,156)	117,055
61 TEMPORARY FACILITIES (185)	-	-	-
62 MISCELLANEOUS DEFERRED DEBITS (186)	2,474,202	1,854,209	619,993
63 DEF LOSSES FROM DISPOS OF UTILITY PLANT (187)	-	-	-
64 RESEARCH, DEVEL AND DEMONSTR EXP (188)	20	20	-
65 UNAMORTIZED LOSS ON REACQUIRED DEBT (189)	-	-	-
66 ACCUMULATED DEFERRED INCOME TAXES (190)	5,321,271	5,271,887	49,384
67 UNRECOVERED PURCHASED GAS COSTS (191)	(25,988,394)	19,728,699	(45,717,093)
68 TOTAL DEFERRED DEBITS (LINES 54 THRU 67)	(14,325,085)	30,059,112	(44,384,197)
69 TOTAL ASSETS AND OTHER DEBITS (ENTER TOTAL OF LINES 10, 11, 12, 22, 52, AND 68)	214,929,131	256,292,121	(41,362,990)

COLUMBIA GAS OF KENTUCKY, INC.
COMPARATIVE BALANCE SHEET (LIABILITIES & OTHER CREDITS)
AT OCTOBER 31, 2006

	TITLE OF ACCOUNT	OCTOBER CURRENT YEAR	OCTOBER PRIOR YEAR	INCREASE OR DECREASE
1	PROPRIETARY CAPITAL			
2	COMMON STOCK ISSUED (201)	23,806,202	23,806,202	-
3	PREFERRED STOCK ISSUED (204)	-	-	-
4	CAPITAL STOCK SUBSCRIBED (202, 205)	-	-	-
5	STOCK LIABILITY FOR CONVERSION (203, 206)	-	-	-
6	PREMIUM ON CAPITAL STOCK (207)	-	-	-
7	OTHER PAID-IN CAPITAL (208 - 211)	4,833,887	4,742,223	91,664
8	INSTALLMENTS RECEIVED ON CAPITAL STOCK (212)	-	-	-
9	(LESS) DISCOUNT ON CAPITAL STOCK (213)	-	-	-
10	(LESS) CAPITAL STOCK EXPENSE (214)	-	-	-
11	OTHER COMPREHENSIVE INCOME (219)	-	-	-
12	RETAINED EARNINGS (215, 215.1, 216)	58,085,674	48,863,521	9,222,153
13	UNAPPROP UNDIST SUBSIDIARY EARNINGS (216.1)	-	-	-
14	(LESS) REACQUIRED CAPITAL STOCK (217)	-	-	-
15	TOTAL PROPRIETARY CAPITAL (LINES 2 THRU 13)	86,725,763	77,411,946	9,313,817
16	LONG-TERM DEBT			
17	BONDS (221)	-	-	-
18	(LESS) REACQUIRED BONDS (222)	-	-	-
19	ADVANCES FROM ASSOCIATED COMPANIES (223)	42,055,011	28,250,012	13,804,999
20	OTHER LONG-TERM DEBT (224)	-	-	-
21	UNAMORT PREMIUM ON LONG-TERM DEBT (225)	-	-	-
22	(LESS) UNAMORT DISCOUNT ON LONG-TERM DEBT (226)	-	-	-
23	TOTAL LONG-TERM DEBT (LINES 16 THRU 21)	42,055,011	28,250,012	13,804,999
24	OTHER NONCURRENT LIABILITIES			
25	OBLIG UNDER CAP LEASES-NONCURRENT (227)	86	27,487	(27,401)
26	ACCUM PROVISION FOR PROPERTY INSURANCE (228.1)	-	-	-
27	ACCUM PROV FOR INJURIES AND DAMAGES (228.2)	275,216	310,430	(35,214)
28	ACCUM PROV FOR PENSIONS AND BENEFITS (228.3)	-	-	-
29	ACCUM MISC OPERATING PROVISIONS (228.4)	-	-	-
30	ACCUM PROVISION FOR RATE REFUNDS (229)	-	-	-
31	TOTAL OTHER NONCURRENT LIAB (TOTAL L24 THRU L29)	275,302	337,917	(62,615)

COLUMBIA GAS OF KENTUCKY, INC.
COMPARATIVE BALANCE SHEET (LIABILITIES & OTHER CREDITS)
AT OCTOBER 31, 2006

	TITLE OF ACCOUNT	OCTOBER CURRENT YEAR	OCTOBER PRIOR YEAR	INCREASE OR DECREASE
32	CURRENT AND ACCRUED LIABILITIES			
33	NOTES PAYABLE (231)	-	-	-
34	ACCOUNTS PAYABLE (232)	5,436,854	16,539,454	(11,102,600)
35	NOTES PAYABLE TO ASSOC COMPANIES (233)	4	13,805,003	(13,804,999)
36	ACCOUNTS PAYABLE TO ASSOC COMPANIES (234)	13,353,566	21,532,377	(8,178,811)
37	CUSTOMER DEPOSITS (235)	3,141,887	2,877,454	264,433
38	TAXES ACCRUED (236)	1,828,307	3,354,467	(1,526,160)
39	INTEREST ACCRUED (237)	88,493	86,635	1,858
40	DIVIDENDS DECLARED (238)	4	4	-
41	MATURED LONG-TERM DEBT (239)	-	-	-
42	MATURED INTEREST (240)	-	-	-
43	TAX COLLECTIONS PAYABLE (241)	549,183	380,539	168,644
44	MISC CURRENT AND ACCRUED LIAB (242)	31,031,254	57,368,866	(26,337,612)
45	OBLIG UNDER CAP LEASES - CURRENT (243)	27,344	37,777	(10,433)
46	DERIVATIVE INSTRU-LIAB- CURRENT (245)	1,498,054	377,084	1,120,970
47	TOTAL CURRENT AND ACCRUED LIAB (L32 THRU L44)	56,954,950	116,359,660	(59,404,710)
48	DEFERRED CREDITS			
49	CUSTOMER ADVANCES FOR CONSTRUCTION (252)	1,088,025	965,838	122,187
50	ACCUM DEFERRED INVEST TAX CREDITS (255)	955,992	1,043,695	(87,703)
51	DEF GAINS FROM DISPOS OF UTILITY PLANT (256)	-	-	-
52	OTHER DEFERRED CREDITS (253)	2,504,193	6,358,845	(3,854,652)
53	OTHER REGULATORY LIABILITIES (254)	2,714,527	5,539,433	(2,824,906)
54	UNAMORT GAIN ON REACQUIRED DEBT (257)	-	-	-
55	ACCUMULATED DEFERRED INCOME TAXES(281-283)	21,655,368	20,024,775	1,630,593
56	TOTAL DEFERRED CREDITS (LINES 47 THRU 52)	28,918,105	33,932,586	(5,014,481)
57	TOTAL LIAB AND OTHER CREDITS (L14,22,30,45,54)	214,929,131	256,292,121	(41,362,990)

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COLUMBIA GAS OF KENTUCKY, INC.
GAS REVENUE AND GAS REQUIREMENTS
FOR THE PERIODS ENDING OCTOBER 31, 2006

	CR MTH ACTUAL	INC PREV YEAR	YTD ACTUAL	INC PREV YEAR	12 MTHS ACTUAL	INC PREV YEAR
GAS REVENUES - $						
RESIDENTIAL	2,703,395	605,530	76,153,686	9,316,705	102,045,445	20,297,644
COMMERCIAL	1,906,412	474,388	43,381,020	11,206,216	57,575,502	18,540,288
INDUSTRIAL	117,242	(264,244)	2,308,406	(461,956)	3,206,863	(43,070)
PUBLIC UTILITIES	9,407	2,467	239,487	67,482	276,491	82,331
UNBILLED REVENUE - $	3,194,000	(121,000)	(13,378,997)	(4,882,003)	30,003	(2,092,003)
OTHER						
TOTAL GAS REVENUES - $	7,930,456	697,141	108,703,602	15,246,444	163,134,304	36,785,190
INTERCOMPANY						
TOTAL	7,930,456	697,141	108,703,602	15,246,444	163,134,304	36,785,190
OTHER GAS DEPARTMENT REVENUE	62,274	5,647	875,576	114,530	988,093	149,289
NON-TRADITIONAL SALES - $	90,270	(100,228)	7,986,725	6,796,845	8,545,887	6,777,740
TRANSPORTATION OF GAS-REGULAR	904,153	17,205	12,407,599	(3,677,322)	15,726,522	(4,196,521)
TRANSPORTATION UNBILLED	177,001	(28,000)	(896,990)	(118,000)	(135,989)	(187,001)
TOTAL GROSS REVENUE	9,164,154	591,765	129,076,512	18,362,497	188,258,817	39,328,697
GAS REQUIREMENTS - MCF'S						
RESIDENTIAL	211,430	74,100	5,052,385	(289,239)	6,617,875	81,595
COMMERCIAL	165,728	63,110	2,998,481	358,355	3,876,702	674,457
INDUSTRIAL	9,254	(28,949)	158,746	(75,369)	218,606	(51,893)
PUBLIC UTILITIES	1,035	321	18,734	1,730	21,904	2,303
UNBILLED REVENUE - MCF	337,000	38,000	(629,000)	41,000	62,000	(101,000)
OTHER						
TOTAL	724,447	146,582	7,599,346	36,477	10,797,087	605,262
INTERCOMPANY						
TOTAL	724,447	146,582	7,599,346	36,477	10,797,087	605,262
MISCELLANEOUS DELIVERIES						
OTHER COMPANY USE, ETC	559	(676)	6,609	(12,782)	14,664	(6,845)
FREE MUNICIPAL AND OTHER	(401)	(474)	(1,480)	(4,684)	(1,480)	(5,166)
GAS LOST FROM STORAGE - CURRENT						
NON-TRADITIONAL SALES - MCF	13,690	371	1,046,755	885,673	1,099,061	853,608
TOTAL MISCELLANEOUS DELIVERIES	13,848	(779)	1,051,884	868,207	1,112,245	841,597
UNACCOUNTED FOR - LOSSES IN BLACK	316,183	153,660	(1,443,451)	348,696	(115,286)	658,601
TOTAL GAS REQUIREMENT	1,054,478	299,463	7,207,779	1,253,380	11,794,046	2,105,460
TRANSPORTATION VOLUMES - MCF'S	1,611,545	(154,757)	18,624,230	(914,721)	23,257,985	(819,104)
UNBILLED TRANSPORTATION VOLUMES - MCF'S	118,000	(60,000)	(483,000)	(131,000)	(82,000)	(181,000)
CUSTOMERS						
RESIDENTIAL	96,660	635	97,081	5,770	97,375	6,253
COMMERCIAL	10,662	(239)	10,860	805	10,914	910
INDUSTRIAL	110	(3)	111	4	111	5
PUBLIC UTILITIES	2		2		2	
OTHER						
TOTAL CUSTOMERS	107,434	393	108,054	6,579	108,402	7,168
HEATING CUSTOMERS						
RESIDENTIAL	94,642	588	95,052	5,692	95,350	6,180
COMMERCIAL	10,322	(269)	10,524	754	10,580	856
TOTAL HEATING CUSTOMERS	104,964	319	105,576	6,446	105,930	7,036

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COLUMBIA GAS OF KENTUCKY, INC.
GAS REVENUE AND GAS REQUIREMENTS
FOR THE PERIODS ENDING OCTOBER 31, 2006

	CR MTH ACTUAL	INC PREV YEAR	YTD ACTUAL	INC PREV YEAR	12 MTHS ACTUAL	INC PREV YEAR
TRANSPORTATION CUSTOMERS						
RESIDENTIAL - CHOICE	25,982	(848)	26,895	(7,135)	26,878	(7,511)
COMMERCIAL - NON CHOICE	48	(1)	48	(2)	48	7
COMMERCIAL - CHOICE	3,527	48	3,579	(1,014)	3,558	(1,086)
TOTAL TRANSPORTATION COMMERCIAL CUST	3,575	47	3,627	(1,016)	3,606	(1,079)
INDUSTRIAL - NON-CHOICE	67	(1)	68		68	
INDUSTRIAL - CHOICE	9	2	9	(3)	8	(4)
TOTAL TRANSPORTATION INDUSTRIAL CUST	76	1	77	(3)	76	(4)
TOTAL TRANSPORTATION CUSTOMERS	29,633	(800)	30,599	(8,154)	30,560	(8,594)

COLUMBIA GAS OF KENTUCKY, INC.
GAS REVENUE AND GAS REQUIREMENTS
FOR THE PERIODS ENDING OCTOBER 31, 2006

	CR MTH ACTUAL	INC PREV YEAR	YTD ACTUAL	INC PREV YEAR	12 MTHS ACTUAL	INC PREV YEAR
AVERAGE RATES						
RESIDENTIAL	12.79	(2.49)	15.07	2.56	15.42	(.19)
COMMERCIAL	11.50	(2.46)	14.47	2.28	14.85	(3.13)
INDUSTRIAL	12.67	2.68	14.54	2.71	14.67	2.81
PUBLIC UTILITIES	9.09	(.63)	12.78	2.66	12.62	(1.49)
OTHER						
TOTAL	12.22	(1.83)	14.84	2.46	15.19	(1.07)
INTER COMPANY						
TOTAL	12.22	(1.83)	14.84	2.46	15.19	(1.07)
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** AVERAGE RATE EXCLUDE UNBILLED ADJUST.						
DEGREE DAYS						
BILLING PERIOD	178	109	3,255	(369)	4,462	(96)
CALENDAR PERIOD	375	93	2,973	218	4,503	378

COLUMBIA GAS OF KENTUCKY, INC.
STATEMENT OF INCOME
AT NOVEMBER 30, 2006

	ACCOUNT	CURRENT MONTH ACTUAL	CURRENT MONTH INCREASE PREV. YEAR	12 MONTHS ENDED ACTUAL	12 MONTHS ENDED INCREASE PREV. YEAR
1	UTILITY OPERATING INCOME				
2	OPERATING REVENUES (400)	14,171,931	(3,244,645)	185,014,172	31,126,733
3	OPERATING EXPENSES:				
4	OPERATING EXPENSES (401)	11,742,519	(3,122,028)	161,699,806	30,618,588
5	MAINTENANCE EXPENSES (402)	211,473	36,823	2,214,672	102,343
6	DEPRECIATION EXPENSE (403)	408,468	12,308	4,825,953	101,814
7	AMORT AND DEPL OF UTIL PLANT (404-405)	44,104	(13,485)	503,829	11,267
8	AMORT OF UTIL PLANT ACQ ADJ (406)	-	-	-	-
9	AMORT OF PROPERTY LOSSES, UNRECOVE RED PLANT AND REGULATORY STUDY COSTS (407)	-	-	-	-
10	AMORT OF CONVERSION EXPENSES (407)	-	-	-	-
11	REGULATORY DEBITS (407.3)	-	-	-	-
12	(LESS) REGULATORY CREDITS (407.4)	-	-	-	-
13	TAXES OTHER THAN INCOME TAXES (408.1)	194,408	22,122	2,252,569	22,864
14	INCOME TAXES - FEDERAL (409.1)	651,888	1,683,678	4,987,862	3,481,292
15	- OTHER (409.1)	111,924	338,475	292,984	229,850
16	PROV FOR DEFERRED INC TAXES (410.1)	77,972	(139,469)	5,543,121	1,553,226
17	(LESS) PROVISION FOR DEFERRED INCOME TAXES-CR. (411.1)	(372,022)	(1,948,311)	(7,037,234)	(5,214,162)
18	INVESTMENT TAX CREDIT ADJ - NET (411.4)	(7,309)	(2)	(87,707)	933
19	(LESS) GAINS FROM DISP. OF UTILITY PLANT (411.6)	-	-	-	-
20	LOSSES FROM DISPOS OF UTIL PLANT (411.7)	-	-	-	-
21	(LESS) GAINS FROM DISPOSITION OF ALLOWANCES (411.8)	-	-	-	-
22	LOSSES FROM DISPOSITION OF ALLOWANCES (411.9)	-	-	-	-
23	TOTAL UTILITY OPERATING EXPENSES	13,063,425	(3,129,889)	175,195,855	30,908,015
24	NET UTILITY OPERATING INCOME	1,108,506	(114,756)	9,818,317	218,718
26	OTHER INCOME AND DEDUCTIONS				
27	OTHER INCOME:				
28	NONUTILITY OPERATING INCOME				
29	REVENUES FROM MERCHANDISING, JOBBING AND CONTRACT WORK (415)	-	-	-	-
30	(LESS) COSTS AND EXP. OF MERCHANDISING, JOB & CONTRACT WORK (416)	-	-	-	-
31	REVENUES FROM NONUTILITY OPERATIONS (417)	89,640	(4,392)	1,156,028	(5,707)
32	(LESS) EXPENSES OF NONUTILITY OPERATOPHS (417.1)	-	-	-	-
33	NONOPERATING RENTAL INCOME (418)	1,068	1,068	(21,058)	(21,058)
34	EQUITY IN EARNINGS OF SUBSID COS (418.1)	-	-	-	-
35	INTEREST AND DIVIDEND INCOME (419)	45,541	41,147	584,635	157,489
36	ALLOW FOR OTHER FUNDS USED DURING CONSTR (419.1)	-	-	-	-
37	MISCELLANEOUS NONOPERATING INCOME (421)	209,942	(1,539)	1,991,676	729,483
38	GAIN ON DISPOSITION OF PROPERTY (421.1)	-	-	(1,111)	(1,111)
39	TOTAL OTHER INCOME (ENTER TOTAL OF LINES 29 THRU 38)	344,055	34,148	3,752,286	901,212
40	OTHER INCOME DEDUCTIONS:				
41	LOSS ON DISPOSITION OF PROPERTY (421.2)	-	-	602	602
42	MISCELLANEOUS AMORTIZATION (425)	-	-	-	-
43	MISC INCOME DEDUCTIONS (426.1-426.5)	(11,648)	86,205	308,024	(7,549)
44	TOTAL OTHER INCOME DEDUCTIONS (TOTAL OF LINES 41 THRU 43)	(11,648)	86,205	308,626	(6,947)

COLUMBIA GAS OF KENTUCKY, INC.
STATEMENT OF INCOME
AT NOVEMBER 30, 2006

ACCOUNT	CURRENT MONTH ACTUAL	CURRENT MONTH INCREASE PREV. YEAR	12 MONTHS ENDED ACTUAL	12 MONTHS ENDED INCREASE PREV. YEAR
45 TAXES APPLIC TO OTHER INCOME AND DEDUCTIONS:				
46 TAXES OTHER THAN INCOME TAXES (408.2)	-	-	-	-
47 INCOME TAXES - FEDERAL (409.2)	-	-	-	-
48 - OTHER (409.2)	141,216	(20,892)	886,844	(71,400)
49 PROVISION FOR DEFERRED INC TAXES (410.2)	-	-	-	-
50 (LESS) PROVISION FOR DEFERRED INCOME TAXES-CR. (411.2)	-	-	476,872	418,311
51 INVESTMENT TAX CREDIT ADJ - NET (411.5)	-	-	-	-
52 INVESTMENT TAX CREDITS (420)	-	-	-	-
53 TOTAL TAXES ON OTHER INCOME AND DED. (TOTAL OF 46 THRU 52)	141,216	(20,892)	1,363,716	346,911
54 NET OTHER INCOME AND DEDUCTIONS (ENT ER TOTAL OF LINES 39, 44, 53)	214,487	(31,165)	2,079,944	561,248
55 INTEREST CHARGES				
56 INTEREST ON LONG-TERM DEBT (427)	-	-	-	-
57 AMORT OF DEBT DISC AND EXP (428)	-	-	-	-
58 AMORT OF LOSS ON REACQUIRED DEBT (428.1)	-	-	-	-
59 (LESS) AMORT. OF PREMIUM ON DEBT-CREDIT (429)	-	-	-	-
60 (LESS) AMORT. OF GAIN ON REACQ. DEBT-CR. (429.1)	-	-	-	-
61 INTEREST ON DEBT TO ASSOC. CO. (430)	278,680	(44,769)	2,640,079	(692,274)
62 OTHER INTEREST EXPENSE (431)	57,468	32,694	386,966	79,847
63 (LESS) ALLOW. FOR BORROWED FUNDS USED DURING CONST.-CR (432)	(8,111)	(4,573)	(221,664)	(250,501)
64 NET INTEREST CHARGES (ENTER TOTAL OF LINES 25, 54, 64)	328,037	(16,648)	2,805,381	(862,928)
65 INCOME BEFORE EXTRAORDINARY ITEMS	994,956	(129,273)	9,092,880	1,642,894
66 EXTRAORDINARY ITEMS				
67 EXTRAORDINARY INCOME (434)	-	-	-	-
68 (LESS) EXTRAORDINARY DEDUCTIONS (435)	-	-	-	-
59 NET EXTRAORDINARY ITEMS (ENTER TOTAL OF LINE 67 LESS LINE 68)	-	-	-	-
70 INCOME TAXES - FEDERAL AND OTHER (409.3 & 410.3)	-	-	-	-
71 EXTRAORDINARY ITEMS AFTER TAXES	-	-	-	-
72 NET INCOME (ENTER TOTAL OF LINES 65 AND 71)	994,956	(129,273)	9,092,880	1,642,894

COLUMBIA GAS OF KENTUCKY, INC.
COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)
AT NOVEMBER 30, 2006

	TITLE OF ACCOUNT	NOVEMBER CURRENT YEAR	NOVEMBER PRIOR YEAR	INCREASE OR DECREASE
1	UTILITY PLANT			
2	UTILITY PLANT (101-106,114)	253,477,955	243,701,285	9,776,670
3	CONSTRUCTION WORK IN PROGRESS (107)	517,619	2,934,944	(2,417,325)
4	TOTAL UTILITY PLANT (LINES 2 AND 3)	253,995,574	246,636,229	7,359,345
5	(LESS) ACCUM PROV FOR DEPR, AMORT, DEPL (108,111,115)	(112,737,955)	(109,789,837)	(2,948,118)
6	NET UTILITY PLANT, LESS NUCLEAR FUEL (LINE 4 LESS 5)	141,257,619	136,846,392	4,411,227
7	NUCLEAR FUEL (120.0-120.4,120.6)	-	-	-
8	(LESS) ACCUM PROV FOR AMORT OF NUC FUEL ASSEMB (120.5)	-	-	-
9	NET NUCLEAR FUEL (LINE 7 LESS 8)	-	-	-
10	NET UTILITY PLANT (LINES 6 AND 9)	141,257,619	136,846,392	4,411,227
11	UTILITY PLANT ADJUSTMENTS (116)	-	-	-
12	GAS STORED UNDERGROUND (117)	-	-	-
13	OTHER PROPERTY AND INVESTMENTS			
14	NONUTILITY PROPERTY (121)	-	-	-
15	(LESS) ACCUM PROV FOR DEPR AND AMORT (122)	-	-	-
16	INVESTMENTS IN ASSOCIATED COMPANIES (123)	-	-	-
17	INVESTMENTS IN SUBSIDIARY COMPANIES (123.1)	186,055	-	186,055
18	(FOR COST OF ACCT 123.1, SEE FOOTNOTE PAGE 224, LINE 42)			
19	NONCURRENT PORTION OF ALLOWANCES	-	-	-
20	OTHER INVESTMENTS (124)	-	-	-
21	SPECIAL FUNDS (125-128)	-	-	-
22	TOTAL OTHER PROPERTY AND INVEST (LINES 14 -17, 19-21)	186,055	-	186,055
23	CURRENT AND ACCRUED ASSETS			
24	CASH (131)	73,821	466,050	(392,229)
25	SPECIAL DEPOSITS (132-134)	-	-	-
26	WORKING FUNDS (135)	8	1,207	(1,199)
27	TEMPORARY CASH INVESTMENTS (136)	2,509,296	140,416	2,368,880
28	NOTES RECEIVABLE (141)	22	22	-
29	CUSTOMER ACCOUNTS RECEIVABLE (142)	8,439,143	9,150,360	(711,217)
30	OTHER ACCOUNTS RECEIVABLE (143)	(88,022)	158,754	(246,776)
31	(LESS) ACCUM PROV FOR UNCOLLECT ACCT - CREDIT (144)	(425,039)	(442,833)	17,794
32	NOTES REC FROM ASSOCIATED COMPANIES (145)	-	-	-
33	ACCOUNTS REC FROM ASSOC COMPANIES (146)	12,520,765	4,121,434	8,399,331
34	FUEL STOCK (151)	22	22	-
35	FUEL STOCK EXPENSE UNDISTRIBUTED (152)	-	-	-
36	RESIDUALS (ELEC) AND EXTRACTED PROD (GAS) (153)	-	-	-
37	PLANT MATERIALS AND OPERATING SUPPLIES (154)	40,471	43,250	(2,779)
38	MERCHANDISE (155)	-	-	-
39	OTHER MATERIALS AND SUPPLIES (156)	-	-	-
40	NUCLEAR MATERIALS HELD FOR SALE (157)	-	-	-
41	ALLOWANCES (158.1 AND 158.2)	-	-	-
42	NONCURRENT PORTION OF ALLOWANCES	-	-	-
43	STORES EXPENSE UNDISTRIBUTED (163)	(30)	(30)	-
44	GAS STORED UNDERGROUND-CURRENT (164.1)	60,879,622	69,861,582	(8,981,960)
45	LIQUEFIED NATURAL GAS HELD FOR PROCESSING (164.2-164.3)	2	2	-

COLUMBIA GAS OF KENTUCKY, INC.
COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)
AT NOVEMBER 30, 2006

	TITLE OF ACCOUNT	NOVEMBER CURRENT YEAR	NOVEMBER PRIOR YEAR	INCREASE OR DECREASE
46	PREPAYMENTS (165)	648,575	584,546	64,029
47	ADVANCES FOR GAS (166-167)	-	-	-
48	INTEREST AND DIVIDENDS RECEIVABLE (171)	93	(65)	158
49	RENTS RECEIVABLE (172)	-	-	-
50	ACCRUED UTILITY REVENUES (173)	9,401,401	10,061,123	(659,722)
51	MISCELLANEOUS CURRENT AND ACCRUED ASSETS (174)	339,752	2,427,423	(2,087,671)
52	TOTAL CURRENT AND ACCRUED ASSETS (LINES 24 THRU 51)	94,339,902	96,573,263	(2,233,361)
53	DEFERRED DEBITS			
54	UNAMORTIZED DEBT EXPENSE (181)	-	-	-
55	EXTRAORDINARY PROPERTY LOSSES (182.1)	-	-	-
56	UNRECOVERED PLANT AND REG STUDY COSTS (182.2)	-	-	-
57	OTHER REGULATORY ASSETS (182.3)	3,054,290	2,559,643	494,647
58	PRELIM SURVEY AND INVEST CHRGS - ELECTRIC (183)	-	-	-
59	PRELIM SURVEY AND INVEST CHRGS - GAS (183.1, 183.2)	258,729	837,358	(578,629)
60	CLEARING ACCOUNTS (184)	27,127	(74,837)	101,964
61	TEMPORARY FACILITIES (185)	-	-	-
62	MISCELLANEOUS DEFERRED DEBITS (186)	2,324,400	1,758,441	565,959
63	DEF LOSSES FROM DISPOS OF UTILITY PLANT (187)	-	-	-
64	RESEARCH, DEVEL AND DEMONSTR EXP (188)	20	20	-
65	UNAMORTIZED LOSS ON REACQUIRED DEBT (189)	-	-	-
66	ACCUMULATED DEFERRED INCOME TAXES (190)	5,460,838	6,411,485	(950,647)
67	UNRECOVERED PURCHASED GAS COSTS (191)	(16,375,981)	26,637,977	(43,013,958)
68	TOTAL DEFERRED DEBITS (LINES 54 THRU 67)	(5,250,577)	38,130,087	(43,380,664)
69	TOTAL ASSETS AND OTHER DEBITS (ENTER TOTAL OF LINES 10, 11, 12, 22, 52, AND 68)	230,532,999	271,549,742	(41,016,743)

COLUMBIA GAS OF KENTUCKY, INC.
COMPARATIVE BALANCE SHEET (LIABILITIES & OTHER CREDITS)
AT NOVEMBER 30, 2006

	TITLE OF ACCOUNT	NOVEMBER CURRENT YEAR	NOVEMBER PRIOR YEAR	INCREASE OR DECREASE
1	PROPRIETARY CAPITAL			
2	COMMON STOCK ISSUED (201)	23,806,202	23,806,202	-
3	PREFERRED STOCK ISSUED (204)	-	-	-
4	CAPITAL STOCK SUBSCRIBED (202, 205)	-	-	-
5	STOCK LIABILITY FOR CONVERSION (203, 206)	-	-	-
6	PREMIUM ON CAPITAL STOCK (207)	-	-	-
7	OTHER PAID-IN CAPITAL (208 - 211)	4,833,887	4,742,223	91,664
8	INSTALLMENTS RECEIVED ON CAPITAL STOCK (212)	-	-	-
9	(LESS) DISCOUNT ON CAPITAL STOCK (213)	-	-	-
10	(LESS) CAPITAL STOCK EXPENSE (214)	-	-	-
11	OTHER COMPREHENSIVE INCOME (219)	-	-	-
12	RETAINED EARNINGS (215, 215.1, 216)	59,080,630	49,987,750	9,092,880
13	UNAPPROP UNDIST SUBSIDIARY EARNINGS (216.1)	-	-	-
14	(LESS) REACQUIRED CAPITAL STOCK (217)	-	-	-
15	TOTAL PROPRIETARY CAPITAL (LINES 2 THRU 13)	87,720,719	78,536,175	9,184,544
16	LONG-TERM DEBT			
17	BONDS (221)	-	-	-
18	(LESS) REACQUIRED BONDS (222)	-	-	-
19	ADVANCES FROM ASSOCIATED COMPANIES (223)	58,055,011	28,250,012	29,804,999
20	OTHER LONG-TERM DEBT (224)	-	-	-
21	UNAMORT PREMIUM ON LONG-TERM DEBT (225)	-	-	-
22	(LESS) UNAMORT DISCOUNT ON LONG-TERM DEBT (226)	-	-	-
23	TOTAL LONG-TERM DEBT (LINES 16 THRU 21)	58,055,011	28,250,012	29,804,999
24	OTHER NONCURRENT LIABILITIES			
25	OBLIG UNDER CAP LEASES-NONCURRENT (227)	86	24,161	(24,075)
26	ACCUM PROVISION FOR PROPERTY INSURANCE (228.1)	-	-	-
27	ACCUM PROV FOR INJURIES AND DAMAGES (228.2)	275,216	310,430	(35,214)
28	ACCUM PROV FOR PENSIONS AND BENEFITS (228.3)	-	-	-
29	ACCUM MISC OPERATING PROVISIONS (228.4)	-	-	-
30	ACCUM PROVISION FOR RATE REFUNDS (229)	-	-	-
31	TOTAL OTHER NONCURRENT LIAB (TOTAL L24 THRU L29)	275,302	334,591	(59,289)

COLUMBIA GAS OF KENTUCKY, INC.
COMPARATIVE BALANCE SHEET (LIABILITIES & OTHER CREDITS)
AT NOVEMBER 30, 2006

TITLE OF ACCOUNT	NOVEMBER CURRENT YEAR	NOVEMBER PRIOR YEAR	INCREASE OR DECREASE
32 CURRENT AND ACCRUED LIABILITIES			
33 NOTES PAYABLE (231)	-	-	-
34 ACCOUNTS PAYABLE (232)	5,048,528	17,919,483	(12,870,955)
35 NOTES PAYABLE TO ASSOC COMPANIES (233)	4	8,000,004	(8,000,000)
36 ACCOUNTS PAYABLE TO ASSOC COMPANIES (234)	4,662,065	35,104,154	(30,442,089)
37 CUSTOMER DEPOSITS (235)	3,230,045	2,991,221	238,824
38 TAXES ACCRUED (236)	2,730,012	2,264,028	465,984
39 INTEREST ACCRUED (237)	12,870	(10,389)	23,259
40 DIVIDENDS DECLARED (238)	4	4	-
41 MATURED LONG-TERM DEBT (239)	-	-	-
42 MATURED INTEREST (240)	-	-	-
43 TAX COLLECTIONS PAYABLE (241)	1,035,292	1,348,715	(313,423)
44 MISC CURRENT AND ACCRUED LIAB (242)	37,990,006	60,441,849	(22,451,843)
45 OBLIG UNDER CAP LEASES - CURRENT (243)	24,018	38,092	(14,074)
46 DERIVATIVE INSTRU-LIAB- CURRENT (245)	778,034	15	778,019
47 TOTAL CURRENT AND ACCRUED LIAB (L32 THRU L44)	55,510,878	128,097,176	(72,586,298)
48 DEFERRED CREDITS			
49 CUSTOMER ADVANCES FOR CONSTRUCTION (252)	1,106,996	976,284	130,712
50 ACCUM DEFERRED INVEST TAX CREDITS (255)	948,684	1,036,388	(87,704)
51 DEF GAINS FROM DISPOS OF UTILITY PLANT (256)	-	-	-
52 OTHER DEFERRED CREDITS (253)	2,498,430	6,364,131	(3,865,701)
53 OTHER REGULATORY LIABILITIES (254)	2,903,269	5,019,360	(2,116,091)
54 UNAMORT GAIN ON REACQUIRED DEBT (257)	-	-	-
55 ACCUMULATED DEFERRED INCOME TAXES(281-283)	21,513,710	22,935,625	(1,421,915)
56 TOTAL DEFERRED CREDITS (LINES 47 THRU 52)	28,971,089	36,331,788	(7,360,699)
57 TOTAL LIAB AND OTHER CREDITS (L14,22,30,45,54)	230,532,999	271,549,742	(41,016,743)

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COLUMBIA GAS OF KENTUCKY, INC.
GAS REVENUE AND GAS REQUIREMENTS
FOR THE PERIODS ENDING NOVEMBER 30, 2006

	CR MTH ACTUAL	INC PREV YEAR	YTD ACTUAL	INC PREV YEAR	12 MTHS ACTUAL	INC PREV YEAR
GAS REVENUES - $						
RESIDENTIAL	6,752,692	26,839	82,906,378	9,343,544	102,072,284	17,450,009
COMMERCIAL	3,807,851	(821,515)	47,188,871	10,384,701	56,753,987	15,084,918
INDUSTRIAL	264,400	(100,012)	2,572,806	(561,968)	3,106,851	(359,008)
PUBLIC UTILITIES	8,247	(1,832)	247,734	65,650	274,659	78,755
UNBILLED REVENUE - $	1,698,000	(1,903,000)	(11,680,997)	(6,785,005)	(1,872,997)	(3,079,003)
OTHER						
TOTAL GAS REVENUES - $	12,531,190	(2,799,520)	121,234,792	12,446,924	160,334,784	29,175,671
INTERCOMPANY						
TOTAL	12,531,190	(2,799,520)	121,234,792	12,446,924	160,334,784	29,175,671
OTHER GAS DEPARTMENT REVENUE	72,692	17,804	948,268	132,334	1,005,897	146,207
NON-TRADITIONAL SALES - $	237,706	(111,450)	8,224,431	6,685,395	8,434,437	6,458,591
TRANSPORTATION OF GAS-REGULAR	1,236,342	(71,479)	13,643,941	(3,748,801)	15,655,043	(4,234,735)
TRANSPORTATION UNBILLED	94,001	(280,000)	(802,989)	(398,000)	(415,989)	(419,001)
TOTAL GROSS REVENUE	14,171,931	(3,244,645)	143,248,443	15,117,852	185,014,172	31,126,733
GAS REQUIREMENTS - MCF'S						
RESIDENTIAL	604,418	171,564	5,656,803	(117,675)	6,789,438	154,510
COMMERCIAL	353,867	41,697	3,352,348	400,053	3,918,399	584,722
INDUSTRIAL	23,891	(3,017)	182,637	(78,386)	215,589	(69,560)
PUBLIC UTILITIES	695	(342)	19,429	1,388	21,562	1,901
UNBILLED REVENUE - MCF	140,000	(186,000)	(489,000)	(145,000)	(124,000)	(188,000)
OTHER						
TOTAL	1,122,871	23,902	8,722,217	60,380	10,820,988	483,573
INTERCOMPANY						
TOTAL	1,122,871	23,902	8,722,217	60,380	10,820,988	483,573
MISCELLANEOUS DELIVERIES						
OTHER COMPANY USE, ETC	1,340	(200)	7,949	(12,982)	14,464	(7,795)
FREE MUNICIPAL AND OTHER	(251)	(251)	(1,731)	(4,935)	(1,731)	(5,306)
GAS LOST FROM STORAGE - CURRENT						
NON-TRADITIONAL SALES - MCF	30,904	(3,204)	1,077,659	882,470	1,095,857	837,304
TOTAL MISCELLANEOUS DELIVERIES	31,993	(3,655)	1,083,877	864,553	1,108,590	824,203
UNACCOUNTED FOR - LOSSES IN BLACK	364,052	30,649	(1,079,399)	379,343	(84,636)	480,011
TOTAL GAS REQUIREMENT	1,518,916	50,896	8,726,695	1,304,276	11,844,942	1,787,787
TRANSPORTATION VOLUMES - MCF'S	1,661,432	(339,646)	20,285,661	(1,254,367)	22,898,338	(1,245,135)
UNBILLED TRANSPORTATION VOLUMES - MCF'S	40,000	(159,000)	(443,000)	(290,000)	(241,000)	(305,000)
CUSTOMERS						
RESIDENTIAL	98,675	732	97,226	5,312	97,435	5,596
COMMERCIAL	10,942	(139)	10,867	719	10,903	777
INDUSTRIAL	110	(2)	111	3	111	4
PUBLIC UTILITIES	2		2		2	
OTHER						
TOTAL CUSTOMERS	109,729	591	108,206	6,034	108,451	6,377
HEATING CUSTOMERS						
RESIDENTIAL	96,632	673	95,196	5,236	95,406	5,522
COMMERCIAL	10,602	(157)	10,531	671	10,567	728
TOTAL HEATING CUSTOMERS	107,234	516	105,727	5,907	105,973	6,250

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COLUMBIA GAS OF KENTUCKY, INC.
GAS REVENUE AND GAS REQUIREMENTS
FOR THE PERIODS ENDING NOVEMBER 30, 2006

	CR MTH ACTUAL	INC PREV YEAR	YTD ACTUAL	INC PREV YEAR	12 MTHS ACTUAL	INC PREV YEAR
TRANSPORTATION CUSTOMERS						
RESIDENTIAL - CHOICE	25,754	(1,154)	26,792	(6,591)	26,782	(6,823)
COMMERCIAL - NON CHOICE	48		48	(2)	48	7
COMMERCIAL - CHOICE	3,505	47	3,572	(918)	3,562	(961)
TOTAL TRANSPORTATION COMMERCIAL CUST	3,553	47	3,620	(920)	3,610	(954)
INDUSTRIAL - NON-CHOICE	67		68		68	
INDUSTRIAL - CHOICE	9	3	9	(2)	9	(3)
TOTAL TRANSPORTATION INDUSTRIAL CUST	76	3	77	(2)	77	(3)
TOTAL TRANSPORTATION CUSTOMERS	29,383	(1,104)	30,489	(7,513)	30,469	(7,780)

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COLUMBIA GAS OF KENTUCKY, INC.
GAS REVENUE AND GAS REQUIREMENTS
FOR THE PERIODS ENDING NOVEMBER 30, 2006

AVERAGE RATES	CR MTH ACTUAL	INC PREV YEAR	YTD ACTUAL	INC PREV YEAR	12 MTHS ACTUAL	INC PREV YEAR
RESIDENTIAL	11.17	(4.37)	14.66	1.92	15.03	(.35)
COMMERCIAL	10.76	(4.07)	14.08	1.61	14.48	(2.54)
INDUSTRIAL	11.07	(2.47)	14.09	2.08	14.41	3.51
PUBLIC UTILITIES	11.87	2.15	12.75	2.66	12.74	(1.23)
OTHER						
TOTAL	11.02	(4.15)	14.43	1.81	14.82	(.97)
INTER COMPANY						
TOTAL	11.02	(4.15)	14.43	1.81	14.82	(.97)

** AVERAGE RATE EXCLUDE UNBILLED ADJUST.

DEGREE DAYS						
BILLING PERIOD	485	123	3,740	(246)	4,585	(75)
CALENDAR PERIOD	529	6	3,502	224	4,509	347

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COLUMBIA GAS OF KENTUCKY, INC.
STATEMENT OF INCOME
AT DECEMBER 31, 2006

	ACCOUNT	CURRENT MONTH ACTUAL	CURRENT MONTH INCREASE PREV. YEAR	12 MONTHS ENDED ACTUAL	12 MONTHS ENDED INCREASE PREV. YEAR
1	UTILITY OPERATING INCOME				
2	OPERATING REVENUES (400)	21,224,186	(20,541,543)	164,472,629	(5,423,691)
3	OPERATING EXPENSES:				
4	OPERATING EXPENSES (401)	16,924,398	(19,565,233)	142,134,573	(4,752,801)
5	MAINTENANCE EXPENSES (402)	224,086	136,348	2,551,020	311,551
6	DEPRECIATION EXPENSE (403)	411,124	13,921	4,839,874	109,108
7	AMORT AND DEPL OF UTIL PLANT (404-405)	35,792	(6,557)	497,272	3,236
8	AMORT OF UTIL PLANT ACQ ADJ (406)	-	-	-	-
9	AMORT OF PROPERTY LOSSES, UNRECOVE RED PLANT AND REGULATORY STUDY COSTS (407)	-	-	-	-
10	AMORT OF CONVERSION EXPENSES (407)	-	-	-	-
11	REGULATORY DEBITS (407.3)	-	-	-	-
12	(LESS) REGULATORY CREDITS (407.4)	-	-	-	-
13	TAXES OTHER THAN INCOME TAXES (408.1)	191,704	1,188	2,253,757	76,478
14	INCOME TAXES - FEDERAL (409.1)	2,271,284	2,118,851	7,106,713	3,073,002
15	- OTHER (409.1)	103,572	60,022	353,006	(336,354)
16	PROV FOR DEFERRED INC TAXES (410.1)	2,330,021	312,787	5,855,908	685,463
17	(LESS) PROVISION FOR DEFERRED INCOME TAXES-CR. (411.1)	(3,607,717)	(2,763,184)	(9,800,418)	(3,509,373)
18	INVESTMENT TAX CREDIT ADJ - NET (411.4)	(7,309)	(1)	(87,708)	797
19	(LESS) GAINS FROM DISP. OF UTILITY PLANT (411.6)	-	-	-	-
20	LOSSES FROM DISPOS OF UTIL PLANT (411.7)	-	-	-	-
21	(LESS) GAINS FROM DISPOSITION OF ALLOWANCES (411.8)	-	-	-	-
22	LOSSES FROM DISPOSITION OF ALLOWANCES (411.9)	-	-	-	-
23	TOTAL UTILITY OPERATING EXPENSES	18,876,955	(19,691,858)	155,503,997	(4,338,893)
24	NET UTILITY OPERATING INCOME	2,347,231	(849,685)	8,968,632	(1,084,798)
26	OTHER INCOME AND DEDUCTIONS				
27	OTHER INCOME:				
28	NONUTILITY OPERATING INCOME				
29	REVENUES FROM MERCHANDISING, JOBBING AND CONTRACT WORK (415)	-	-	-	-
30	(LESS) COSTS AND EXP. OF MERCHANDISING, JOB & CONTRACT WORK (416)	-	-	-	-
31	REVENUES FROM NONUTILITY OPERATIONS (417)	135,599	(78,086)	1,077,942	(139,319)
32	(LESS) EXPENSES OF NONUTILITY OPERATOPMS (417.1)	-	-	-	-
33	NONOPERATING RENTAL INCOME (418)	(3,427)	(3,427)	(24,485)	(24,485)
34	EQUITY IN EARNINGS OF SUBSID COS (418.1)	-	-	-	-
35	INTEREST AND DIVIDEND INCOME (419)	87,831	84,775	669,410	250,346
36	ALLOW FOR OTHER FUNDS USED DURING CONSTR (419.1)	-	-	-	-
37	MISCELLANEOUS NONOPERATING INCOME (421)	212,670	137,845	2,129,521	816,659
38	GAIN ON DISPOSITION OF PROPERTY (421.1)	8,437	8,437	7,326	7,326
39	TOTAL OTHER INCOME (ENTER TOTAL OF LINES 29 THRU 38)	447,964	156,398	3,908,684	959,497
40	OTHER INCOME DEDUCTIONS:				
41	LOSS ON DISPOSITION OF PROPERTY (421.2)	-	-	602	602
42	MISCELLANEOUS AMORTIZATION (425)	-	-	-	-
43	MISC INCOME DEDUCTIONS (426.1-426.5)	34,196	16,667	324,691	(98)
44	TOTAL OTHER INCOME DEDUCTIONS (TOTAL OF LINES 41 THRU 43)	34,196	16,667	325,293	504

COLUMBIA GAS OF KENTUCKY, INC.
STATEMENT OF INCOME
AT DECEMBER 31, 2006

	ACCOUNT	CURRENT MONTH ACTUAL	CURRENT MONTH INCREASE PREV. YEAR	12 MONTHS ENDED ACTUAL	12 MONTHS ENDED INCREASE PREV. YEAR
45	TAXES APPLIC TO OTHER INCOME AND DEDUCTIONS:	-	-	-	-
46	TAXES OTHER THAN INCOME TAXES (408.2)	-	-	-	-
47	INCOME TAXES - FEDERAL (409.2)	163,574	54,206	941,050	(84,716)
48	- OTHER (409.2)	-	-	-	-
49	PROVISION FOR DEFERRED INC TAXES (410.2)	-	-	476,872	453,976
50	(LESS) PROVISION FOR DEFERRED INCOME TAXES-CR. (411.2)	-	-	-	-
51	INVESTMENT TAX CREDIT ADJ - NET (411.5)	-	-	-	-
52	INVESTMENT TAX CREDITS (420)	-	-	-	-
53	TOTAL TAXES ON OTHER INCOME AND DED. (TOTAL OF 46 THRU 52)	163,574	54,206	1,417,922	369,260
54	NET OTHER INCOME AND DEDUCTIONS (ENT ER TOTAL OF LINES 39, 44, 53)	250,194	85,525	2,165,469	589,733
55	INTEREST CHARGES				
56	INTEREST ON LONG-TERM DEBT (427)	-	-	-	-
57	AMORT OF DEBT DISC AND EXP (428)	-	-	-	-
58	AMORT OF LOSS ON REACQUIRED DEBT (428.1)	-	-	-	-
59	(LESS) AMORT. OF PREMIUM ON DEBT-CREDIT (429)	-	-	-	-
60	(LESS) AMORT. OF GAIN ON REACQ. DEBT-CR. (429.1)	-	-	-	-
61	INTEREST ON DEBT TO ASSOC. CO. (430)	278,850	(54,360)	2,585,719	(808,736)
62	OTHER INTEREST EXPENSE (431)	14,876	(32,586)	354,380	64,117
63	(LESS) ALLOW. FOR BORROWED FUNDS USED DURING CONST.-CR (432)	(45,721)	(37,357)	(259,021)	(284,250)
64	NET INTEREST CHARGES (ENTER TOTAL OF LINES 25, 54, 64)	248,005	(124,303)	2,681,078	(1,028,869)
65	INCOME BEFORE EXTRAORDINARY ITEMS	2,349,420	(639,857)	8,453,023	533,804
66	EXTRAORDINARY ITEMS				
67	EXTRAORDINARY INCOME (434)	-	-	-	-
68	(LESS) EXTRAORDINARY DEDUCTIONS (435)	-	-	-	-
59	NET EXTRAORDINARY ITEMS (ENTER TOTAL OF LINE 67 LESS LINE 68)	-	-	-	-
70	INCOME TAXES - FEDERAL AND OTHER (409.3 & 410.3)	-	-	-	-
71	EXTRAORDINARY ITEMS AFTER TAXES	-	-	-	-
72	NET INCOME (ENTER TOTAL OF LINES 65 AND 71)	2,349,420	(639,857)	8,453,023	533,804

COLUMBIA GAS OF KENTUCKY, INC.
COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)
AT DECEMBER 31, 2006

	TITLE OF ACCOUNT	DECEMBER CURRENT YEAR	DECEMBER PRIOR YEAR	INCREASE OR DECREASE
1	UTILITY PLANT			
2	UTILITY PLANT (101-106,114)	253,767,352	244,767,466	8,999,886
3	CONSTRUCTION WORK IN PROGRESS (107)	1,922,372	4,732,068	(2,809,696)
4	TOTAL UTILITY PLANT (LINES 2 AND 3)	255,689,724	249,499,534	6,190,190
5	(LESS) ACCUM PROV FOR DEPR, AMORT, DEPL (108,111,115)	(112,845,708)	(110,075,610)	(2,770,098)
6	NET UTILITY PLANT, LESS NUCLEAR FUEL (LINE 4 LESS 5)	142,844,016	139,423,924	3,420,092
7	NUCLEAR FUEL (120.0-120.4,120.6)	-	-	-
8	(LESS) ACCUM PROV FOR AMORT OF NUC FUEL ASSEMB (120.5)	-	-	-
9	NET NUCLEAR FUEL (LINE 7 LESS 8)	-	-	-
10	NET UTILITY PLANT (LINES 6 AND 9)	142,844,016	139,423,924	3,420,092
11	UTILITY PLANT ADJUSTMENTS (116)	-	-	-
12	GAS STORED UNDERGROUND (117)	-	-	-
13	OTHER PROPERTY AND INVESTMENTS			
14	NONUTILITY PROPERTY (121)	-	-	-
15	(LESS) ACCUM PROV FOR DEPR AND AMORT (122)	-	-	-
16	INVESTMENTS IN ASSOCIATED COMPANIES (123)	-	-	-
17	INVESTMENTS IN SUBSIDIARY COMPANIES (123.1)	189,482	-	189,482
18	(FOR COST OF ACCT 123.1, SEE FOOTNOTE PAGE 224, LINE 42)			
19	NONCURRENT PORTION OF ALLOWANCES	-	-	-
20	OTHER INVESTMENTS (124)	-	-	-
21	SPECIAL FUNDS (125-128)	-	-	-
22	TOTAL OTHER PROPERTY AND INVEST (LINES 14 -17, 19-21)	189,482	-	189,482
23	CURRENT AND ACCRUED ASSETS			
24	CASH (131)	701,021	1,667,008	(965,987)
25	SPECIAL DEPOSITS (132-134)	-	-	-
26	WORKING FUNDS (135)	8	1,207	(1,199)
27	TEMPORARY CASH INVESTMENTS (136)	1,787,444	314,113	1,473,331
28	NOTES RECEIVABLE (141)	22	22	-
29	CUSTOMER ACCOUNTS RECEIVABLE (142)	10,903,812	17,638,592	(6,734,780)
30	OTHER ACCOUNTS RECEIVABLE (143)	2,857,477	5,380,719	(2,523,242)
31	(LESS) ACCUM PROV FOR UNCOLLECT ACCT - CREDIT (144)	(423,234)	(509,163)	85,929
32	NOTES REC FROM ASSOCIATED COMPANIES (145)	-	-	-
33	ACCOUNTS REC FROM ASSOC COMPANIES (146)	19,829,783	4,257,481	15,572,302
34	FUEL STOCK (151)	22	22	-
35	FUEL STOCK EXPENSE UNDISTRIBUTED (152)	-	-	-
36	RESIDUALS (ELEC) AND EXTRACTED PROD (GAS) (153)	-	-	-
37	PLANT MATERIALS AND OPERATING SUPPLIES (154)	40,519	42,428	(1,909)
38	MERCHANDISE (155)	-	-	-
39	OTHER MATERIALS AND SUPPLIES (156)	-	-	-
40	NUCLEAR MATERIALS HELD FOR SALE (157)	-	-	-
41	ALLOWANCES (158.1 AND 158.2)	-	-	-
42	NONCURRENT PORTION OF ALLOWANCES	-	-	-
43	STORES EXPENSE UNDISTRIBUTED (163)	(30)	(30)	-
44	GAS STORED UNDERGROUND-CURRENT (164.1)	48,716,413	52,359,571	(3,643,158)
45	LIQUEFIED NATURAL GAS HELD FOR PROCESSING (164.2-164.3)	2	2	-

COLUMBIA GAS OF KENTUCKY, INC.
COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)
AT DECEMBER 31, 2006

TITLE OF ACCOUNT	DECEMBER CURRENT YEAR	DECEMBER PRIOR YEAR	INCREASE OR DECREASE
46 PREPAYMENTS (165)	560,172	508,098	52,074
47 ADVANCES FOR GAS (166-167)	-	-	-
48 INTEREST AND DIVIDENDS RECEIVABLE (171)	3,352	(65)	3,417
49 RENTS RECEIVABLE (172)	-	-	-
50 ACCRUED UTILITY REVENUES (173)	12,381,634	20,256,332	(7,874,698)
51 MISCELLANEOUS CURRENT AND ACCRUED ASSETS (174)	301,071	1,330,343	(1,029,272)
52 TOTAL CURRENT AND ACCRUED ASSETS (LINES 24 THRU 51)	97,659,488	103,246,680	(5,587,192)
53 DEFERRED DEBITS			
54 UNAMORTIZED DEBT EXPENSE (181)	-	-	-
55 EXTRAORDINARY PROPERTY LOSSES (182.1)	-	-	-
56 UNRECOVERED PLANT AND REG STUDY COSTS (182.2)	-	-	-
57 OTHER REGULATORY ASSETS (182.3)	3,919,645	3,197,008	722,637
58 PRELIM SURVEY AND INVEST CHRGS - ELECTRIC (183)	-	-	-
59 PRELIM SURVEY AND INVEST CHRGS - GAS (183.1, 183.2)	273,746	189,839	83,907
60 CLEARING ACCOUNTS (184)	16	12	4
61 TEMPORARY FACILITIES (185)	-	-	-
62 MISCELLANEOUS DEFERRED DEBITS (186)	4,396,182	3,388,149	1,008,033
63 DEF LOSSES FROM DISPOS OF UTILITY PLANT (187)	-	-	-
64 RESEARCH, DEVEL AND DEMONSTR EXP (188)	20	20	-
65 UNAMORTIZED LOSS ON REACQUIRED DEBT (189)	-	-	-
66 ACCUMULATED DEFERRED INCOME TAXES (190)	7,024,232	6,627,311	396,921
67 UNRECOVERED PURCHASED GAS COSTS (191)	(11,738,886)	15,353,434	(27,092,320)
68 TOTAL DEFERRED DEBITS (LINES 54 THRU 67)	3,874,955	28,755,773	(24,880,818)
69 TOTAL ASSETS AND OTHER DEBITS (ENTER TOTAL OF LINES 10, 11, 12, 22, 52, AND 68)	244,567,941	271,426,377	(26,858,436)

COLUMBIA GAS OF KENTUCKY, INC.
COMPARATIVE BALANCE SHEET (LIABILITIES & OTHER CREDITS)
AT DECEMBER 31, 2006

	TITLE OF ACCOUNT	DECEMBER CURRENT YEAR	DECEMBER PRIOR YEAR	INCREASE OR DECREASE
1	PROPRIETARY CAPITAL			
2	COMMON STOCK ISSUED (201)	23,806,202	23,806,202	-
3	PREFERRED STOCK ISSUED (204)	-	-	-
4	CAPITAL STOCK SUBSCRIBED (202, 205)	-	-	-
5	STOCK LIABILITY FOR CONVERSION (203, 206)	-	-	-
6	PREMIUM ON CAPITAL STOCK (207)	-	-	-
7	OTHER PAID-IN CAPITAL (208 - 211)	4,833,887	4,749,593	84,294
8	INSTALLMENTS RECEIVED ON CAPITAL STOCK (212)	-	-	-
9	(LESS) DISCOUNT ON CAPITAL STOCK (213)	-	-	-
10	(LESS) CAPITAL STOCK EXPENSE (214)	-	-	-
11	OTHER COMPREHENSIVE INCOME (219)	(2,277,862)	-	(2,277,862)
12	RETAINED EARNINGS (215, 215.1, 216)	61,430,050	52,977,027	8,453,023
13	UNAPPROP UNDIST SUBSIDIARY EARNINGS (216.1)	-	-	-
14	(LESS) REACQUIRED CAPITAL STOCK (217)	-	-	-
15	TOTAL PROPRIETARY CAPITAL (LINES 2 THRU 13)	87,792,277	81,532,822	6,259,455
16	LONG-TERM DEBT			
17	BONDS (221)	-	-	-
18	(LESS) REACQUIRED BONDS (222)	-	-	-
19	ADVANCES FROM ASSOCIATED COMPANIES (223)	58,055,011	28,250,012	29,804,999
20	OTHER LONG-TERM DEBT (224)	-	-	-
21	UNAMORT PREMIUM ON LONG-TERM DEBT (225)	-	-	-
22	(LESS) UNAMORT DISCOUNT ON LONG-TERM DEBT (226)	-	-	-
23	TOTAL LONG-TERM DEBT (LINES 16 THRU 21)	58,055,011	28,250,012	29,804,999
24	OTHER NONCURRENT LIABILITIES			
25	OBLIG UNDER CAP LEASES-NONCURRENT (227)	86	20,808	(20,722)
26	ACCUM PROVISION FOR PROPERTY INSURANCE (228.1)	-	-	-
27	ACCUM PROV FOR INJURIES AND DAMAGES (228.2)	146,873	239,817	(92,944)
28	ACCUM PROV FOR PENSIONS AND BENEFITS (228.3)	-	-	-
29	ACCUM MISC OPERATING PROVISIONS (228.4)	-	-	-
30	ACCUM PROVISION FOR RATE REFUNDS (229)	-	-	-
31	TOTAL OTHER NONCURRENT LIAB (TOTAL L24 THRU L29)	146,959	260,625	(113,666)

COLUMBIA GAS OF KENTUCKY, INC.
COMPARATIVE BALANCE SHEET (LIABILITIES & OTHER CREDITS)
AT DECEMBER 31, 2006

	TITLE OF ACCOUNT	DECEMBER CURRENT YEAR	DECEMBER PRIOR YEAR	INCREASE OR DECREASE
32	CURRENT AND ACCRUED LIABILITIES			
33	NOTES PAYABLE (231)	-	-	-
34	ACCOUNTS PAYABLE (232)	12,560,856	21,250,724	(8,689,868)
35	NOTES PAYABLE TO ASSOC COMPANIES (233)	4	8,000,004	(8,000,000)
36	ACCOUNTS PAYABLE TO ASSOC COMPANIES (234)	5,258,824	36,881,738	(31,622,914)
37	CUSTOMER DEPOSITS (235)	3,304,667	3,091,743	212,924
38	TAXES ACCRUED (236)	5,445,739	4,002,213	1,443,526
39	INTEREST ACCRUED (237)	25,894	17,834	8,060
40	DIVIDENDS DECLARED (238)	4	4	-
41	MATURED LONG-TERM DEBT (239)	-	-	-
42	MATURED INTEREST (240)	-	-	-
43	TAX COLLECTIONS PAYABLE (241)	1,459,791	2,371,315	(911,524)
44	MISC CURRENT AND ACCRUED LIAB (242)	34,037,263	47,726,547	(13,689,284)
45	OBLIG UNDER CAP LEASES - CURRENT (243)	20,664	38,410	(17,746)
46	DERIVATIVE INSTRU-LIAB- CURRENT (245)	1,145,683	15	1,145,668
47	TOTAL CURRENT AND ACCRUED LIAB (L32 THRU L44)	63,259,389	123,380,547	(60,121,158)
48	DEFERRED CREDITS			
49	CUSTOMER ADVANCES FOR CONSTRUCTION (252)	1,067,795	994,652	73,143
50	ACCUM DEFERRED INVEST TAX CREDITS (255)	941,376	1,029,081	(87,705)
51	DEF GAINS FROM DISPOS OF UTILITY PLANT (256)	-	-	-
52	OTHER DEFERRED CREDITS (253)	9,489,446	6,925,784	2,563,662
53	OTHER REGULATORY LIABILITIES (254)	3,448,922	4,307,780	(858,858)
54	UNAMORT GAIN ON REACQUIRED DEBT (257)	-	-	-
55	ACCUMULATED DEFERRED INCOME TAXES(281-283)	20,366,766	24,745,074	(4,378,308)
56	TOTAL DEFERRED CREDITS (LINES 47 THRU 52)	35,314,305	38,002,371	(2,688,066)
57	TOTAL LIAB AND OTHER CREDITS (L14,22,30,45,54)	244,567,941	271,426,377	(26,858,436)

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COLUMBIA GAS OF KENTUCKY, INC.
GAS REVENUE AND GAS REQUIREMENTS
FOR THE PERIODS ENDING DECEMBER 31, 2006

	CR MTH ACTUAL	INC PREV YEAR	YTD ACTUAL	INC PREV YEAR	12 MTHS ACTUAL	INC PREV YEAR
GAS REVENUES - $						
RESIDENTIAL	10,250,267	(8,915,639)	93,156,645	427,905	93,156,645	427,905
COMMERCIAL	5,485,560	(4,079,556)	52,674,431	6,305,145	52,674,431	6,305,145
INDUSTRIAL	361,462	(172,583)	2,934,268	(734,551)	2,934,268	(734,551)
PUBLIC UTILITIES	11,110	(15,815)	258,844	49,835	258,844	49,835
UNBILLED REVENUE - $	2,508,000	(7,300,000)	(9,172,997)	(14,085,003)	(9,172,997)	(14,085,003)
OTHER						
TOTAL GAS REVENUES - $	18,616,399	(20,483,593)	139,851,191	(8,036,669)	139,851,191	(8,036,669)
INTERCOMPANY						
TOTAL	18,616,399	(20,483,593)	139,851,191	(8,036,669)	139,851,191	(8,036,669)
OTHER GAS DEPARTMENT REVENUE	89,326	31,697	1,037,594	164,031	1,037,594	164,031
NON-TRADITIONAL SALES - $	736,671	526,665	8,961,102	7,212,060	8,961,102	7,212,060
TRANSPORTATION OF GAS-REGULAR	1,678,789	(332,313)	15,322,730	(4,081,114)	15,322,730	(4,081,114)
TRANSPORTATION UNBILLED	103,001	(283,999)	(699,988)	(681,999)	(699,988)	(681,999)
TOTAL GROSS REVENUE	21,224,186	(20,541,543)	164,472,629	(5,423,691)	164,472,629	(5,423,691)
GAS REQUIREMENTS - MCF'S						
RESIDENTIAL	921,511	(211,124)	6,578,314	(328,800)	6,578,314	(328,800)
COMMERCIAL	505,624	(60,427)	3,857,972	339,625	3,857,972	339,625
INDUSTRIAL	34,553	1,600	217,189	(76,786)	217,189	(76,786)
PUBLIC UTILITIES	1,020	(1,113)	20,449	275	20,449	275
UNBILLED REVENUE - MCF	150,000	(215,000)	(339,000)	(360,000)	(339,000)	(360,000)
OTHER						
TOTAL	1,612,708	(486,064)	10,334,924	(425,686)	10,334,924	(425,686)
INTERCOMPANY						
TOTAL	1,612,708	(486,064)	10,334,924	(425,686)	10,334,924	(425,686)
MISCELLANEOUS DELIVERIES						
OTHER COMPANY USE, ETC	1,546	(4,969)	9,495	(17,951)	9,495	(17,951)
FREE MUNICIPAL AND OTHER	(188)	(188)	(1,919)	(5,122)	(1,919)	(5,122)
GAS LOST FROM STORAGE - CURRENT						
NON-TRADITIONAL SALES - MCF	114,462	96,264	1,192,121	978,733	1,192,121	978,733
TOTAL MISCELLANEOUS DELIVERIES	115,820	91,107	1,199,697	955,660	1,199,697	955,660
UNACCOUNTED FOR - LOSSES IN BLACK	(7,676)	(1,002,438)	(1,087,074)	(623,093)	(1,087,074)	(623,093)
TOTAL GAS REQUIREMENT	1,720,852	(1,397,395)	10,447,547	(93,119)	10,447,547	(93,119)
TRANSPORTATION VOLUMES - MCF'S	2,303,130	(309,548)	22,588,791	(1,563,915)	22,588,791	(1,563,915)
UNBILLED TRANSPORTATION VOLUMES - MCF'S	48,000	(154,000)	(395,000)	(444,000)	(395,000)	(444,000)
CUSTOMERS						
RESIDENTIAL	99,617	(121)	97,425	4,860	97,425	4,860
COMMERCIAL	11,049	(249)	10,882	638	10,882	638
INDUSTRIAL	110	(2)	111	3	111	3
PUBLIC UTILITIES	2		2		2	
OTHER						
TOTAL CUSTOMERS	110,778	(372)	108,420	5,501	108,420	5,501
HEATING CUSTOMERS						
RESIDENTIAL	97,564	(152)	95,393	4,787	95,393	4,787
COMMERCIAL	10,704	(262)	10,545	593	10,545	593
TOTAL HEATING CUSTOMERS	108,268	(414)	105,938	5,380	105,938	5,380

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COLUMBIA GAS OF KENTUCKY, INC.
GAS REVENUE AND GAS REQUIREMENTS
FOR THE PERIODS ENDING DECEMBER 31, 2006

	CR MTH ACTUAL	INC PREV YEAR	YTD ACTUAL	INC PREV YEAR	12 MTHS ACTUAL	INC PREV YEAR
TRANSPORTATION CUSTOMERS						
RESIDENTIAL - CHOICE	25,812	(862)	26,710	(6,114)	26,710	(6,114)
COMMERCIAL - NON CHOICE	47	(1)	48	(2)	48	(2)
COMMERCIAL - CHOICE	3,489	41	3,566	(838)	3,566	(838)
TOTAL TRANSPORTATION COMMERCIAL CUST	3,536	40	3,614	(840)	3,614	(840)
INDUSTRIAL - NON-CHOICE	67		68		68	
INDUSTRIAL - CHOICE	9	3	9	(2)	9	(2)
TOTAL TRANSPORTATION INDUSTRIAL CUST	76	3	77	(2)	77	(2)
TOTAL TRANSPORTATION CUSTOMERS	29,424	(819)	30,401	(6,956)	30,401	(6,956)

COLUMBIA GAS OF KENTUCKY, INC.
GAS REVENUE AND GAS REQUIREMENTS
FOR THE PERIODS ENDING DECEMBER 31, 2006

	CR MTH ACTUAL	INC PREV YEAR	YTD ACTUAL	INC PREV YEAR	12 MTHS ACTUAL	INC PREV YEAR
AVERAGE RATES						
RESIDENTIAL	11.12	(5.80)	14.16	.73	14.16	.67
COMMERCIAL	10.85	(6.05)	13.65	.47	13.65	(1.32)
INDUSTRIAL	10.46	(5.75)	13.51	1.03	13.51	3.53
PUBLIC UTILITIES	10.89	(1.73)	12.66	2.30	12.66	(.17)
OTHER						
TOTAL	11.01	(5.88)	13.96	.65	13.96	.08
INTER COMPANY						
TOTAL	11.01	(5.88)	13.96	.65	13.96	.08
	===============	===============	===============	===============	===============	===============
** AVERAGE RATE EXCLUDE UNBILLED ADJUST.						
DEGREE DAYS						
BILLING PERIOD	681	(164)	4,421	(410)	4,421	(410)
CALENDAR PERIOD	734	(273)	4,236	(49)	4,236	(49)

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JANAURY 25, 2007**

Question No. 41

List all present or proposed research efforts dealing with the pricing of gas and the current status of such efforts.

Response of Columbia Gas of Kentucky:

Columbia is operating a Gas Cost Incentive Mechanism ("GCIM") and Gas Price Hedging Program pursuant to the Commission's Order in Case No. 2004-00462. The GCIM is a summer commodity program in which Columbia's gas purchases are compared against a benchmark and the difference is shared equally between Columbia and its sales customers. The GCIM is authorized through October 31, 2008. Under the hedging program Columbia purchases a portion of its required winter gas volumes through futures contracts or by negotiating fixed prices in physical gas supply contracts with gas suppliers. This program is authorized through March 31, 2009.

Columbia is also operating a pilot Customer CHOICE^{SM} program pursuant to the Commission's approval in Case No. 2004-00462. The pilot was implemented April 1, 2005 and terminates March 31, 2009.

Public Service Commission Data Request Set 1
Question No. **42**
Columbia Gas of Kentucky Respondent: Herbert A. Miller

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JANUARY 25, 2007

Question No. 42

Provide a schedule reflecting the salaries and other compensation of each executive officer for the test year and the 2 preceding calendar years. Include the percentage annual increase and the effective date of each increase, the job title, duty and responsibility of each officer, the number of employees who report to each executive officer, and to whom each executive officer reports. Also, for employees elected to executive officer status during the test year, provide the salaries, for the test year, for those persons whom they replaced.

Response of Columbia Gas of Kentucky:

The requested information contains confidential and proprietary information of Columbia Gas of Kentucky, Inc. Attached is a redacted version of the response. The un-redacted version is being provided under seal to preserve its confidentiality.

Columbia Gas of Kentucky
Executive Officer Compensation (1)

Employee Name	Year 2004 Base	Year 2004 Incentive	Year 2005 Base	Year 2005 Incentive	12 Months Ended 9/30/2006 - Base	12 Months Ended 9/30/2006 - Comp
Herbert A. Miller, Jr.						-
President - **Effective 9/1/06** (2)						
Percent Increase in base					NA	
Reports to:						
Sr VP Energy Dist & Reg Rev - NiSource Inc.						
No. of Employees					12	
Joseph W. Kelly						-
President - **Retired 9/1/06**						
Percent Increase in base					1.80%	
David A. Monte						
General Manager (3)						
Percent Increase in base			0.00%		9.50%	
Reports to:						
Sr VP Distribution Ops - NiSource Inc.						
No. of Employees					851	
Mark D. Wyckoff						
General Manager - NiSource Inc.(3)						
Percent Increase in base			0.00%		0.00%	
Reports to:						
President & CEO						
No. of Employees					1	
David J. Vajda						
VP & Treasurer						
Percent Increase in base			0.00%		9.30%	
Reports to:						
Executive Vice Pres & CFO - NiSource Inc.						
No. of Employees					21	
Robert G. Kriner						
Controller						
Percent Increase in base			2.00%		3.00%	
Reports to						
VP & Treasurer						
No. of Employees					22	

Columbia Gas of Kentucky
Executive Officer Compensation (1)

Employee Name	Year 2004 Base	Year 2004 Incentive	Year 2005 Base	Year 2005 Incentive	12 Months Ended 9/30/2006 - Base	12 Months Ended 9/30/2006 - Comp
Gary W. Pottorff						
Corp Secretary			0.00%		13.80%	
Percent Increase in base						
Reports to:						
VP of Tax - NiSource Inc.					19	
No. of Employees						
Vincent V. Rea						
Asst Treasurer			2.00%		1.10%	
Percent Increase in base						
Reports to:						
VP & Treasurer					6	
No. of Employees						
John M. O'Brien						
Asst Controller			0.00%		4.50%	
Percent Increase in base						
Reports to:						
VP of Tax - NiSource Inc.					19	
No. of Employees						

Note:

(1) Other than the president, the executive officers of Columbia Gas of Kentucky are employees of NiSource Corporate Services Company with responsibilities over a number of NiSource Inc. companies. Only a portion of the compensation shown above is charged to Columbia Gas of Kentucky.

(2) Mr. Miller's compensation reflects the amount paid during the test year.

(3) Mr. Monte replaced Mr. Wyckoff as Columbia Gas of Kentucky's General Manager effective 3/1/06.

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JANAURY 25, 2007**

Question No. 43

Provide an analysis of Columbia's expenses for research and development activities for the test year and the 3 preceding calendar years. For the test year include the following:

a. Basis of fees paid to research organizations and Columbia's portion of the total revenue of each organization. Where the contribution is monthly, provide the current rate and the effective date.

b. Details of the research activities conducted by each organization.

c. Details of services and other benefits provided to the company by each organization during the test year and the preceding calendar year.

d. Total expenditures of each organization including the basic nature of costs incurred by the organization.

e. Details of the expected benefits to the company.

Response of Columbia Gas of Kentucky:

a. Columbia's per books test year expenses includes $300,000 paid annually to Operations Technology Development Company ("OTD"). OTD was established in 2003 as a local distribution company directed non-profit corporation administered by Gas Technology Institute to pursue strategic research programs and replace the long-standing collaborative research of the Gas Research Institute ("GRI"). For more than 25 years, GRI was funded by an interstate natural gas sales surcharge to fund gas industry directed research and was included in FERC authorized pipeline rates. The GRI research charges were treated as a cost of gas to distribution companies and included in the gas cost rates paid by end use customers. The FERC phased out mandatory funding of natural gas research and development through interstate pipeline rates in December 2004.

Believing in the continued importance of gas industry research and development and in response to the Commission's expressed interest in continued research and willingness to consider alternative means of cost recovery, the Joint Stipulation in Case No. 2002-00145, proposed a tariff Rider for Research and Development which was approved by the Commission effective March 1, 2003. The fees paid to OTD in the test year and each of the three preceding calendar years represent the following share of OTD's total budget in each year.

2003	6.7%
2004	5.1%
2005	4.7%
2006	3.8%

b. Please see PSC0043 Attachment.

c. Please see PSC0043 Attachment.

d. OTD budgets are as follows in each year:

2003	$4.5 million
2004	$5.9 million
2005	$6.3 million
2006	$7.8 million

e. In general, benefits to Columbia and its customers are enhanced safety (e.g., lower leakage rates, less third party damage), enhanced system integrity (e.g., better inspection methods, more durable system, better risk assessment), lower O&M costs (e.g., reduced costs for excavation, repair, inspection, materials, increased productivity). For additional benefits associated with each project, please refer to response to b. and c. attached.

b. The R&D invested in by Columbia Gas under GTI's OTD Program include the following projects.
c. Details of services provided (along with status) and benefits are discussed under each project shown in the following:

Pipe and Leak Location

Underground Facility Pinpointing: The purpose of this project is to provide an independent, comparative, technical evaluation of existing facility locating tools that are currently available, and to develop enhancements or engineering modifications to the most promising tools, if needed, to provide optimal performance in locating buried natural gas lines. GTI is testing and evaluating existing locating tools in a side-by-side companion under simulated field conditions such as pipes at multiple depths, various soil conditions, pavement types, and in the presence of electrical conductivities. One of the objectives is to determine which tools perform best under the testing scenarios. A second objective is to improve the performance of the tools as needed to maximize their effectiveness and reduce costs for gas operations. A main focus of this project is support for expanded use of keyhole and micro-excavation procedures. For keyhole and micro-excavation produces to be successfully used, buried utilities have to be precisely located. Current locating technology does not provide the level of accuracy and reliability needed for keyhole-type procedures.

An exhaustive side-by-side comparison of standard electromagnetic locators comprised the majority of the research effort thus far. An investigation of the capabilities and limitations of ground penetrating radar (GPR) was performed. Alternative imaging tools were also explored to find new technologies that might be applied to the utility locating industry. The results of this research work will allow sponsors to make better decisions regarding selecting locating equipment and procedures.

Benefits of this project are enhanced safety and operating and maintenance (O&M) cost reduction.

Miniature Methane/Ethane Detector for Leak Surveys: Previous gas-industry-sponsored work has resulted in the development of optical methods of finding gas leaks by detecting methane and, more recently, ethane. The presence of ethane in gas leak positively confirms that the leak is related to natural gas, and not "swamp gas" or other sources of methane. This confirmation eliminates the cost of gas sampling and analysis, minimizes multi-party discussions and time for the gas industry, thus reducing the cost of operations.

The principal technical hurdle for ethane detection has always been the measurement of the small ethane signal within a large methane background that may be 100 times higher in concentration than the ethane concentration to be measured. To overcome this hurdle, a two-modulator, closed-loop approach is now being evaluated by operating two modulators side-by-side. Two systems were assembled with their own modulators, one set up for high ethane sensitivity and the other set up for high methane sensitivity. Development and testing of a laboratory-scale integrated prototype system using this two-modulator approach will be the next step.

Benefits of this project are enhanced safety, reduction in natural gas leakage, and lower O&M costs.

Hand-Held Acoustic System for Plastic Pipe Location: Past GTI-sponsored research has successfully demonstrated that active pulsed-echo sonic technology can detect and locate small-diameter pipes, including PE pipes, to the depth of 5 feet in a laboratory environment. In addition, attenuation measurement data sets collected by a third party from soils around the United States were applied to the current system to perform mathematical analysis on the applicability of the system. This analysis showed that a laboratory-grade acoustic system has a potential for detecting 1.5 and 4-inch diameter pipes at a depth of 3 ft for 50% and 100% of soils in the United States, respectively.

In this project, the laboratory-grade pulse-echo pipe location system was designed into a hand-held system for application to buried pipe detection. The system includes data acquisition and processing boards powered by a battery, transducer and receiver arrays in a cane-like setup, and data display system. The system was field tested with participating utilities for detecting buried pipes, 1 to 6 inches in diameter at depths from 6 inches to 10 feet. The data collected at each location required less than two minutes and the analyzed data will be displayed to the system operator. The next effort was to extend the R&D to improve inspection speed, provide a more universal transducer, "ruggedize" the equipment for actual field use, make the equipment easier to use, all needed for the design of the final system.

Benefits of this project are enhanced safety, enhanced system integrity, and lower O&M costs.

Remote Laser Leak Surveys: Current leak surveys of natural gas distribution systems involve use of "flame packs" and the mobile Optical Methane Detector (OMD). Both of these leak location technologies require that the detector be brought in contact with the gas leakage plume, a very labor-intensive effort. The Laser Line-scan Camera (LLC) technology being developed under the on-going project with Laser Imaging Systems, Inc. (LIS) and AVISYS, Inc. allows "stand-off" inspection of both mains and service lines out to distances of 30 meters from a moving vehicle. The primary objective of the proposed project is to evaluate/improve the detection limit and inspection speed of the LLC, and to make the system more user-friendly. This will be accomplished by conducting additional testing in laboratory, in field, and upgrading various components of the current LLC design. Technical issues including laser design, excessive equipment vibration, and signal-to-noise ratio challenges have been resolved, and the final design of a production prototype is under way.

Benefits include enhanced safety, reduced natural gas leakage, and lower O&M costs.

Integration of Electromagnetic and Acoustic Obstacle Detection Systems for Utility Construction Operations: This project focuses on integrating the drill-head mounted electromagnetic (EM) obstacle detection sensors under development at Maurer Technology, Inc. (MTI) with the surface deployed acoustic sensors being developed by Folsom Research, Inc. (FRI). The objective of these projects is to provide real-time detection of underground utilities during horizontal directional drilling (HDD) operations during installation of pipes. The current technology development research is funded by GTI with cofunding from several utilities. Together, these technologies have the potential to prevent striking and damaging buried utilities during creation of the pilot hole or during back reaming operations. The warning and detection circuitry would be electronically tied to the drill string rotation and forward advance controls so the drill string can be automatically stopped before a strike can occur. By combining these two technologies into a single, integrated display it would be possible to successfully detect buried, energized cables, as well as steel, plastic, clay and concrete pipes.

The specific objectives of this project are to: (1) improve the noise generation capability for acoustic technology, (2) design a wireless radio link between the matrix of acoustic sensors and their processor to simplify field operation, (3) reduce the size of the EM electronics and sensors mounted in the jet head for use in smaller utility directional drilling rigs (4) integrate the data acquisition, processing and display of the acoustic and EM sensors, (5) work with leading drill rig manufacturers to incorporate automatic stoppage of drill string rotation and advance when obstacles are detected within a few feet of the boring head, and (6) conduct field trials of the integrated obstacle detection system in support of commercialization. The development of the integrated acoustic detection system using both passive and active detection has been accomplished. Integration of the acoustic system into the drill head of the HDD system has been completed. "False positive" signal issues from the EM detection system have been resolved. Testing of the improved EM subsystem will be conducted, and then final integration of both the acoustic and EM subsystems into the final design and field testing of the integrated system will occur.

Benefits include reduced third-party damage, enhanced safety, increased system integrity, and lower O&M costs.

Digital Leak Detector: GTI is developing a digital leak detector (DLD) that can be used to reduce the number of excavations required to locate and repair a leak. This instrument uses state-of-the-art digital signal processing techniques to minimize the effects of background noise. Although this instrument was initially targeted for use on systems operating at pounds pressure, field-trial results show promise for low-pressure systems. The leak pinpointing accuracy of the DLD also makes it a prime candidate for use with keyhole leak repair. The DLD finds the source of a leak from the acoustic signal created by the escaping gas. Unlike the gas, this acoustic signal cannot migrate away from the leak. Because the acoustic signal of a buried leak is small and localized, the instrument must be very sensitive. It must also be able to minimize the effects of background noises on the leak signal.

The DLD is an outgrowth of the Digital Sonic Leak Pinpointer (DSLP), a project developed through GTI's Emerging Technology Sustaining membership Program (SMP). The DSLP was tested from coast-to-coast at six utilities. Leak trial results in Chicago in heavy clay were very successful. Several leaks, including a leaking six-inch water column cast-iron sleeve and a leaking 20-psig, cast-iron joint, were correctly pinpointed. These pinpointing results were verified by excavation. Leaks incorrectly located with a combustible gas indicator (CGI) have been accurately pinpointed acoustically. Several improvements were identified and are being implemented in the new instrument, the DLD. An optical-fiber accelerometer developed by the Naval Research Laboratory shows great promise in increasing sensitivity and durability. The resulting unit will be low cost, easy to use, and have increased sensitivity and noise-management capabilities. Field trials began in January 2005 on 17 psig bare steel lines. The first leak pinpointed by the DLD could not be pinpointed with a CGI because of high moisture content in the soil. With the DLD, the leak was pinpointed to within six inches.

Benefits include enhanced safety, reduced gas leakage, and lower O&M costs.

Pipe Materials, Repair, and Rehabilitation

Noninterrupted Meter Changeout Kit: Gas LDC's are always looking for opportunities to increase productivity using their current workforce. Compounding this issue, LDC's rarely have the luxury of being able to coordinate meter changeout work with their customers to get into their homes to perform this operation on the first attempt. Further, when the task of changing a customer's meter is performed, the customer temporarily loses gas service, leading to customer dissatisfaction. The ability to perform routine meter exchanges without the disruption of customer service would not only increase worker productivity but would lessen the negative impact on customers of service interruptions during meter changeout.

This project is focusing on developing the required, tooling, processes, and procedures that will allow the successful exchange of residential and commercial meters without the need to disrupt customer service. The fabrication of alternative, competing designs for meter changeout kits has been completed. Field testing of the alternatives will be conducted next.

Benefits include lower O&M costs, and increased system reliability.

Evaluation for Impact of "Reworked" Plastic Pipe: U.S. manufacturers of polyethylene (PE) pipe routinely examine newly extruded PE pipe to ensure that it meets industry standards. Pipe lots that do not meet standards are set aside for reworking. In the rework process, the manufacturers regrind the rejected PE material and mix this regrind in with new PE resin. This reworked material mix is then re-extruded to form new PE pipe.

ASTM D2513 and its respective annexes and references govern the requirements and test methods to characterize the material properties of plastic piping materials for use in gas distribution applications. However, the standard gives no guidance as to: the acceptable amount of reworked material that can be added to new PE resin, appropriate storage conditions for rejected pipe, standards for cleanliness in the storage area, effects of exposure to the elements vs. storage under cover, and duration of time that rejected pipe can be stored before it is reworked.

This project has worked with plastic pipe manufacturers to produce parametrically controlled specimens for testing and evaluation. Both medium- and high- density PE samples with varying percentages of reworked material have been tested.

The objective of this project is to perform and report on relevant testing on reworked PE pipe to ascertain the impact of the various process control parameters with respect to critical PE pipe performance-related concerns – dielectric breakdown, slow crack growth (SCG) resistance, and rapid crack growth (RCG) considerations. Several of these considerations are not currently specified within the ASTM 2513 criteria.

Based on the overall results of the program and taking into account prudent workmanship considerations, the rework steering committee developed consensus-based recommendations focusing on prudent manufacturing processes, which minimize the potential for introducing contaminants during the production process. Furthermore, the committee proposed that these recommendations should be incorporated within the AGA Plastic Pipe Manual, Plastics Pipe Institute TN-30, and ASTM D2513 standard and specifications to ensure lasting implications and benefits of this program,

Benefits include enhanced system safety and integrity, and lower O&M costs.

Increase in Pipe Design Factor: There are two primary implications associated with the change in design factor. First, for a given pipe size – diameter and wall thickness – there will be a corresponding increase in the calculated design pressure. Second, for a given design pressure, one can utilize a thinner wall piping material. The latter would have a tremendous impact from both an economic viewpoint and from capacity and deliverability considerations.

GTI is studying the effect of an increase in the design factor and the associated pipe geometries with respect to its impact on capacity considerations. GTI is employing the use of Stoner models to determine potential gains in capacity on low, medium, and high pressure systems. In addition, once buried, plastic piping systems are exposed to various external loads that must be taken into account. GTI is performing analytical modeling to determine the impact on external loads and soil conditions on thinner wall pipes. GTI is also investigating additional design considerations based on input and feedback from the stakeholder group.

GTI will then develop comprehensive technical data to characterize the impact of an increased design factor on critical construction, maintenance, and operations practices including joining and squeeze-off. On the basis of the minimum material performance based requirements and testing data, perform targeted field installations under a waiver to install PE piping under an increased design factor. At the conclusion of the overall effort and on the basis of the data, it is expected that there will be adequate technical justification to enable the U.S Department of Transportation (DOT) to amend requirements within Part 192.121 for the increase in the design factor.

GTI has completed over 50% of the required testing. The results to date are consistent with expectations –there is a lower bound limit on the SDR values for a given pipe size that can safely be used. Presentations were made at each National Association of Pipeline Safety Representatives (NAPSR) meetings in order to provide proactive communications.

Benefits include lower O&M costs and enhanced system deliverability, while maintaining system integrity and safety.

Development of Inflatable By-Pass Stopper and Repair: Today's gas line-stopping equipment is virtually the same as the natural gas industry has been using for over many years. The equipment is heavy, takes multiple people to install, and is time consuming to use and costly to maintain. The objectives of this project are to continue the development and testing of GTI's Inflatable Stoppers, originally developed for PE pipe, for adaptation to operations on additional pipe materials such as steel, cast iron, and PVC plastic pipe, and to expand the PE pipe sizes the Stoppers can be used on. These Stoppers will continue to have a bypass feature that allows the gas to continue to flow downstream beyond the break, enabling continued service to downstream customers.

Through an iterative design and development process, GTI has successfully developed a commercial ready prototype 2-inch inflatable bypass stopper technology capable of providing a full internal circumferential seal to shut off the flow of gas. This technology has been tested under a wide range of damage and flow conditions that can be encountered in the field.

Benefits include enhanced safety, enhanced deliverability, and lower O&M costs.

50- to 70-Year Maintenance-Free Pipeline Coatings for Critical Locations: With new requirements for pipeline integrity management and assessment, operators are faced with the challenge of assessing their pipeline's integrity. Some sections of a pipeline segment are, by their very nature, more difficult to asses or maintain integrity on. This includes pipelines running through casings, or pipes running through contaminated soils. The objective of this project will be to take a relatively mature atmospheric and underwater coating technology (thermal spray or metallizing aluminum- or zinc-based coatings), with tremendous corrosion and mechanical damage resistance, and move it successfully into below-ground, pipeline and distribution system applications.

Field trials were conducted of candidate systems, including a flame powder spray system with pure Aluminum and a Sulzer Metco combustion wire system appears to be robust and can coat irregular surfaces including corners and edges.

Benefits include enhanced system integrity, enhanced safety, and lower O&M costs.

Excavation and Site Restoration

Micro-Excavation System Applications: This project is part of the overall Micro-Excavation Systems Program to develop equipment, tools, sensors, materials, and procedures to access, examine and maintain buried pipe through two, 2" diameter excavations. The initial project, to develop a method of excavating a cylindrical space around a pipe is already underway with funding from SMP. In this project, devices to determine the condition of the pipe and pipe coating will be developed.

The objectives of this project are to: (1) develop a prototype articulating device to hold sensors, tools and light sources, and to successfully deliver them through a 2" opening down to a buried pipe, (2) evaluate prototype sensors to examine a section of pipe through a micro-excavation opening to inspect for corrosion, coating conditions and wall thinning, (3) evaluate the effects of creating small voids around the pipe during micro-excavation, and to determine methods to sufficiently backfill and compact micro-excavation openings, (4) evaluate existing anaerobic sealing tools and procedures for use in micro-excavations, (5) develop methods to install anodes on pipes through micro-excavations, and (6) evaluate methods to abandon gas services through micro-excavations. Initial field testing of prototype tools has been conducted. Based on results of those tests, a redesign of tools was accomplished and the tools tested at GTI labs.

Benefits of this project include lower O&M costs and less traffic interruptions.

Safety and Performance Evaluation of Flowable Fill around Buried Pipe: Utility companies and municipalities face continuous challenges over the quality and durability of pavement restoration practices. Their goal of achieving high quality and long-lasting repair has resulted in various requirements regarding the selection of backfill material and compaction control specifications. One of the backfill materials that is regularly required by several municipalities and used by utility companies is the 'Controlled Low-Strength Material', commonly known as 'Flowable Fill'. This material has the advantage of providing a fast setup time while insuring uniform density and adequate pavement support.

However, several issues regarding the use of this material in trench backfill around utility pipes still need to be addressed. These issues are mainly related to structural performance of the buried pipes, effect of flowable fill on pipe corrosion, gas leak migration and detection through the flowable fill "cap", and the difficulty of re-excavation for repair. These issues are being investigated in long-term tests in full-road size paved sections.

The objective of the proposed research is to perform a comprehensive evaluation of pipe-flowable fill interaction and the significance, if any, of these issues on the safety and performance of the system. Such evaluation will help utility companies, municipalities, and highway agencies in identifying the parameters that influence pipe safety and in making educated decisions about the use of flowable fill material with certain pipe types and performance requirements.

Construction of field test sections is complete for the evaluation of gas leak detection, cathodic protection, and an assessment of backfill under traffic loads. Long-term monitoring of the test sections is in progress.

Benefits include fewer re-excavation situations and lower O&M costs.

Development/Enhancement of Trenchless Service Installation through Keyholes: The extensive use of trenchless technology for installing, replacing or renovating underground utility services is relatively new. Trenchless technology includes a large family of methods utilized for installing and rehabilitating underground utility systems with minimal surface disturbance resulting from excavation. This technology is especially valuable for minimizing street cuts, pavement restoration, landscaping repairs, and reducing the public impact of installing or renovating gas distribution piping.

Recently, some utilities and contractors have successfully used keyhole technologies to reduce the cost and public impact of repairs to existing piping. Especially applicable in urban environments, as with other trenchless techniques, keyhole technology involves the development of pavement cutting, micro- and vacuum excavation, maintenance tools, and other technologies that allow operators to make repairs through small openings. Keyhole excavation has clearly provided gas companies with great benefits over standard excavation and restoration techniques. However, most of these companies will agree that additional keyhole tool development is needed if they are to obtain the full value of keyhole practices. Ongoing research to further develop and refine these technologies will help ensure that the gas industry continues to benefit from cutting-edge construction technology.

This project will develop, design and fabricate a trenchless tool that will have the ability to install services in small holes (12 to 18 inches in diameter). The prototype tool will be lab tested at GTI and then field tested with member LDC's. The testing will be performed in varying soil conditions and service line distances.

The goal of this project is to be able to start a piercing tool from the house and consistently hit a 12 or 18 inch keyhole while maintaining proper depths.

A conceptual mechanical steering design that combines the advantages of a traditional piercing tool with the steering features of horizontal directional drilling was developed. It has the high steering potential of an articulated head, the compactness of the force-induced moment mechanism, and the simplicity of a drag-induced steering mechanism. It was designed to be attached to the front of a traditional piercing tool and can potentially be used to retrofit existing units. A prototype was built for feasibility purposes; with a second prototype built for evaluation and field testing to validate the piercing tool's trajectory and travel abilities. Initial testing was positive, with the tool proving a turning radius of 80 feet. Work is ongoing to incorporate an orientation technology into the tool to determine its position and head orientation.

Benefits include lower O&M costs.

Pipeline Integrity Management and Automation

Reduce Mandated Inspection Costs through Remote Field-Eddy-Current Inspection of Unpiggable Lines: The Office of Pipeline Safety has introduced rules that require inspection of pipelines and distribution mains in high consequence areas by pigging inspection, hydrostatic testing, or direct assessment. Of these three choices, pigging costs the least while provide the most information on the condition of a pipeline. Unfortunately, most pipelines and high-pressure distribution mains cannot be inspected with current pigging technologies because of diameter changes, short-radius elbows and miter bends, offsets, reduced port valves and plug valves, and limited access to the pipeline. An examination of technologies that could inspect these unpiggable pipelines quickly leads to the conclusion that the Remote Field Eddy Current (RFEC) technique offers the potential to inspect unpiggable pipelines. The technique should provide inspection precision comparable to that of magnetic flux leakage, but does not require sensor contact with the inside wall of the pipe, which means it can be made much smaller than the pipeline diameter. The technical objectives of the program are to: (1) prove the feasibility of inspecting unpiggable pipelines by RFEC inspection, (2) develop a detailed plan for taking the project to the prototype stage and commercialization, (3) build a prototype and test it in an unpiggable pipeline, and (4) transfer the technology to a manufacturer and a pipeline inspection company.
GTI is currently engaged in making the measurements needed to design a prototype RFEC device that will travel through the types of obstructions found in unpiggable pipelines. As part of a larger U.S. Department of Energy program on unpiggable pipeline technologies, the prototype will be

designed for use with the Explorer II robot being developed by Carnegie Mellon University's National Robotics Engineering Consortium with support from NYSEARCH.

Benefits include enhanced system integrity and lower O&M costs.

Camera Inspection on Live Mains: Using internal inspection cameras in live conditions with keyhole access to pipelines will result in significant savings due to smaller excavations and simpler restorations. The ability to have continuous video footage of the internal condition of gas pipes will allow utility operators to accurately, more easily, and less expensively evaluate pipelines. This will assist utilities in making decisions about pipe replacement and repair without interrupting gas transmission. Successful development will provide utilities with an improved method to: (1) locate joints, services, taps, and other features, (2) locate "hard to find" or lost services and mains, (3) perform more thorough internal corrosion investigations, (4) locate standing or flowing water, (5) identify the source of water infiltration, (6) verify proper valve operation, (7) identify graphitization in cast-iron pipe, (8) inspect welds on steel pipe or fusions on plastic pipe, (9) locate blockages, (10) identify types of pipe in the system, (11) inspect liner installations, (12) pinpoint directional bore damages, and (12) re-inspect for rehabilitation projects.
Interactions with project participants and other key players have identified the parameters of the project, including suggested modifications to the ULC Robotics camera. Development of a camera "launch" system for gas main insertion has been completed. A prototype control unit and camera system has been developed.

Benefits include enhanced system safety, enhanced system integrity, and lower O&M costs.

Monitoring Internal Corrosion Using Fluidized Sensors: The overall approach is to develop thin-film sensors that can detect corrosion and mount them on motes", a mobile, wireless networking system developed originally at University of California, Berkeley. Such a system could be used on non-piggable pipelines to remotely detect (not just predict) the presence of water and corrosion. In the first phase, corrosion sensors will be developed and the motes design will be made to the point of making a decision to go further in the project. In the second phase, the concept will be taken to an engineering phase and field demonstration will be made.

The objective of the project is to develop sensors on the order of a few mm to a cm in size that can be introduced into the gas stream and then flow with the gas and accumulate at likely locations of internal corrosion. The sensors will then positively detect the presence of water, measure its corrosivity, and determine the likely internal corrosion rate at that location. Such a system could be used on non-piggable pipelines to remotely detect (not just predict) the presence of water and corrosion. This type of information would reduce the total number of required excavations or eliminate the need to excavate the pipe altogether.

Sensors have been mounted in acrylic spheres of various candidate materials, and subjected to stress tests to determine durability. Sensor location tracking methods have been validated in laboratory tests. Prototype sensor injector and retrieval systems were developed. A low-pressure flow loop has been designed and initial testing of the mounted sensors has occurred.

Benefits include enhanced system safety, enhanced system integrity, and lower O&M costs.

Operations Infrastructure Support

Develop a CD-Based Learning Module to Educate Fire and Police on Natural Gas Emergencies: This project is concentrating on the design, development and delivery of a comprehensive new education program for use by gas companies to educate Fire and Police Professionals on issues relating to natural gas emergencies. The education materials will be developed and presented in a CD-ROM format, and will be intended for use by Fire, Police and other First Responder Professionals either in a classroom environment, or as a self-teaching tool. There will be self-test questions so that the users can check their progress. The topics covered in the education program will be determined by the participants, but will be expected to include: natural gas basics, gas distribution system description and operation, transmission system description and operation, system devices: piping, meters and regulators, gas leaks (both inside and outside of structures), leaks resulting from fires, unusual problems, distribution and transmission system emergencies, natural disasters, third-party damage, terrorism, working with the local gas distribution company, and working with local, state and federal emergency agencies.

Development of the module is under way.

Benefits include enhanced safety.

Emerging Technology Sustaining Membership Program (SMP)

Columbia Gas, through OTD, also contributes to the GTI SMP Program to provide the applied research foundation for additional gas R&D advancements. Operations projects are shown below.

Sensors to Predict Metal Gas Pipe Breakage: In natural gas systems, repair/replace decisions must be made when steel gas pipelines are in earthquake and soil movement zones. Currently, there is no reliable method of measuring stress in the pipe wall. In distribution systems, pipe breakage due to bending stress is an important cause of metal main failure. This stress can arise from soil settling, freeze-thaw cycles, traffic vibration, or soil disturbances. Bending stresses can also rapidly increase corrosion in steel mains. The measurement of stress in pipelines on bridges and under river crossings are other applications for the technology. The benefits of this technology will be reduced incidents of pipe failure, more optimized repair/replace decision making, increased system integrity, and lower O&M costs.

Stress in materials such as steel causes small changes in the velocity of sound through the steel. Accurate measurements of the sound velocities can be used to determine the absolute state of stress. The objective of this project is to develop an acoustic bi-refringent technique to make in-situ measurements of existing stress in gas piping. The technique could be applied internally or externally.

Dual Wave Non-Invasive Pipeline Inspection: Integrity management efforts are increasingly important in today's regulatory environment, and will become more critical in the next few years. There is a critical need for advancements in pipeline inspection for the over 50% of transmission lines that are unpiggable, and for the feeder mains and higher pressure distribution piping that will need to be examined more thoroughly and more often. The methods that exist are expensive, require experts to operate and analyze the data, some require extensive excavation, and offer limited range. Current long range ultrasonic testing (LRUT) requires an excavation of the complete pipe circumference to install test equipment; requires expert technicians to interpret the test data; and delivers test distances of 100 feet. Testing needs to be less time and labor intensive. Real time monitoring of crucial pipeline segments to detect third-party damage, or sabotage, is needed. Recording a pipeline segment's baseline signal, its "signature", could be done at any time. Monitoring equipment could generate a signal through the pipe continuously. Subtracting the baseline signature from the monitor signal would identify real time anomalies by exact time and location. The benefits of this project include enhanced gas system integrity and lower O&M costs.

The technical objectives of this project are to design the equipment necessary to send long range acoustic waves through both the pipe wall and the pipe cavity, determine if constructive interference, the combination of the two waves, would amplify the anomalies and minimize the noise and ghost transmission, find the proper combination of wavelengths that would produce the most accurate long range testing, develop signal analysis protocol for pipeline segment signals. Develop baseline signature protocol and determine if real time monitoring is possible, develop the electronic equipment necessary for real time monitoring and alarm signaling, and examine alternative physical phenomena for excitation and inspection including electromagnetic, acoustic, and transient stress waves.

Noise Management for Acoustic Real-Time Damage Detection: A method of preventing or detecting third party damage is of major concern to the natural gas industry for both transmission and distribution companies. As new construction continues to encroach on pipeline and rights-of-way, the consequences of third party damage may increase. Acoustic techniques have been proposed for real-time identification of third party contact with gas lines. However, keeping the equipment's signal-to noise ratio high enough for detection and yet minimizing "false positives" remains a challenge. The benefits of this project will be reduced incidence of third party damage, enhanced system integrity, and lower O&M costs.

Work sponsored previously by GTI has shown that impacts to a pipeline can be detected with sensors attached to the outside of the pipeline. Demonstrations at three sites have proven that the technique is feasible. The further proof-of-concept issues are: (1) background noise management, which have economic implications, that is, how far apart can the sensors be spaced and (2) development and demonstration of hardware that will work in the field and be capable of surviving lightening strikes and other damage. In ideal conditions (quiet, rural areas), simulated impacts can be detected over three miles away. However, most applications will be in urban areas where the background noise is greater. This requires effective noise management techniques.

Smart Cathodic Protection Monitor: Utilities are required by the U.S. Department of Transportation (DOT) to monitor the cathodic protection status of their buried infrastructure to ensure that it is adequately protected from corrosion. Cathodic protection test points are often difficult to access in urban environments. They can be paved over or otherwise lost because of construction activities. Even accessible test points in street boxes can expose crews to traffic hazards. Capturing data in the field environment can be difficult. Automatic logging technology can prevent transcription error or lost records. The benefits of this project are reduced corrosion of metal pipe systems, enhanced system integrity, and lower O&M costs.

The objective of this project is to develop a wireless, cathodic protection monitor that can be read during a walk-by survey. The preferred form of the transponder is a direct burial device that is electronically locatable from above ground. The buried transponder must have a lifetime of 15 years or more. When interrogated, the transponder will as a minimum return the pipe-to-soil potential and a unique serial number for that transponder. The pipe-to-soil potential is read with respect to a National Society of Corrosion Engineers (NACE) standard, permanent-burial reference cell. The reading device must be small enough to be hand carried. The reading device will store the data received from the transponder along with a time and date stamp. The stored data can be downloaded to a desktop PC at a later time.

Test & Development of the Impact of High-Pressure Liners (HPL) on Gas Operations High pressure pipes (pressure >100psi) can develop leaks due to corrosion, connections, or joints. The HPL has been shown to seal existing leaks and prevent future leaks in high pressure applications. However, the product can potentially provide additional operational benefits. With the stage 1 product commercially available and early field trial installations planned, GTI can now evaluate the economics of using the new technology relative to alternative construction options. Utilities will also need to have defined operational methods and procedures for maintaining lined pipes, for instance, how to attach service lines through HPL. Only after these issues are answered, will acceptance and use of the HPL product will increase. While paradigms and traditional pipeline practices will not be easily overcome, a robust technical and economic foundation and understanding of the HPL will help operators utilize the benefits of lining technology. The benefits of this project will be to enhance system integrity and lower O&M costs.

There are three primary objectives for this project: (1) document field trial results to technically and economically compare HPL construction with alternative construction methods, (2) perform tests to evaluate the technical performance of the HPL product in preventing leakage after a catastrophic joint failure, and determining if the HPL changes the mode of failure from that of unlined pipe, and (3) address operating issues related to installing an HPL (pipe tapping, service installation, post-lining pipe inspection, etc.).

Implementation of Flame Spray Coating Technology for Field Applied Coating: A problem exists with coating irregular shapes (valves, tees, elbows, etc.) in the pipeline industry. Complex shapes with edges, corners, and bends do not lend themselves to easy coating with tapes or shrink sleeves. Epoxies can have excellent adhesion, but do not have the impact resistance of thermoplastics like polyethylene (PE) and polypropylene (PP). Mastics are sensitive to handling and have poor penetration, impact, and high temperature properties. What is needed is a man-portable, field-friendly system to field apply high-performance coatings onto irregular shapes (in addition to girth welds). GTI has developed and performed initial testing on a two-layer field-applied coatings system for pipelines that provides superior protection to hard-to-coat shapes. It consists of a 100% solids, brush-on epoxy primer with a sprayed-on thermoplastic (PE or PP) topcoat. The system was developed for the field-applied coating of girth welds from prior SMP work. The system should work with (i.e. bond to) both Fusion Bonded Epoxy (FBE) and 3-layer [PE or PP over FBE] plant-applied, mainline coatings. It should have excellent adhesion, hardness, impact, penetration, abrasion, and cathodic disbondment testing properties and be temperature stable. The benefits of this project are enhanced system integrity and safety and lower O&M costs.

The objectives of Phase 1 of this project are: (1) determine the irregular shapes that SMP member operators have the most problems with; (2) determine the typical service conditions (temperature, mainline coating type, etc.) they operate under; (3) working with industrial partners already interested, select appropriate primer/top coat combinations to meet tasks (1) and (2) above; (4) coat irregular shapes in the lab and quantify performance through standardized mechanical, physical, and electrochemical testing under the conditions defined above; and (5) compare results with current coating technology (tapes, mastics, gels, cut sleeves, and stand-alone liquid systems). The objectives of Phase 2 are to: (1) coat full-size irregular shapes at the GTI field facility and bury for accelerated field testing in different soil conditions; (2) coat irregular shapes at a volunteer SMP company site for field trials; and (3) transfer final technology to SMP member companies with commercial/industrial partner assistance.

Sediment Management Characteristics Techniques - Adjacent to Manufactured Gas Plant (MGP) Sites: Existing methods for remediation and management of sediments at contaminated sites (including former MGP sites) are based on the total levels of contaminants present in the impacted sediments. This is an unrealistically stringent approach, as has been recently demonstrated in the case of contaminants in soil by GTI's Environmentally Acceptable End Points (EAE) Program. This program has shown that contaminants in soil frequently pose little or no hazard when they are strongly bound and sequestered into the soil and are, therefore, not available to receptor organisms. The benefits of this project are reduced environmental impacts and lower environmental compliance costs.

The objectives of this project are to derive methods and protocols for determining the amount of contaminants in impacted sediments that are actually bioavailable. This will allow the formulation and generation of revised risk-assessment models that will more accurately reflect the hazard posed by these materials. It is expected that this will allow for more economical management of contaminated sediments (by reducing the volume of material that must be managed and/or remediated), while still protecting human health and the environment.

Chemical Fingerprinting - Improved Database & Methodologies for Enhanced Environmental Forensic Analysis: Recent trends in environmental remediation, particularly of former MGP sites, have increasingly used environmental forensic techniques to identify specific wastes. However, currently available analytical methods of environmental forensic techniques do not have enough conclusive discriminating power to insure scientific accuracy, reproducibility, and overall confidence in the use of chemical fingerprinting to characterize complex MGP wastes. These wastes, primarily dense non-aqueous phase liquid (DNAPL) tars consisting of polycyclic aromatic hydrocarbon (PAH) compounds, are often aged, exceptionally dense, commingled with other wastes, and subjected to weathering over extended periods of time. Although application of gas chromatography/flame ionization detector (GC/FID) and gas chromatography/mass spectrometry (GC/MS) have been very effective in helping identify sources of general environmental contamination, chemical fingerprinting of very low level PAH's, often associated with urban background waste or endemic PAH's, has been highly problematic due to chemical interferences and analytical detection problems. The benefits of this project are to allow scientific assessment of the sources of PAH and reduce environmental compliance costs.

The objective of this project is to develop and verify a specific forensic chemistry tool (GC/isotope ratio - IRMS) for application to site investigation, particularly for examination of low-levels of PAH's, often inaccurately associated with former MGP operations.

Pipe Infrastructure Degradation Prevention: One of the highest operational costs in the gas industry is the maintenance and gas line replacement that must be performed to control system degradation due to corrosion. The issue addressed by this project is to obtain data to quantify the specific contribution of microorganisms to corrosion, and to try to determine the type(s) of microbial metabolism that result in the greatest corrosion. An improved understanding of microbial influenced corrosion (MIC) will improve the long term integrity and safety of pipeline and transmission line systems and reduce O&M costs.

The objectives of this project are to: (1) determine the specific contribution of microorganisms to corrosion; (2) determine the type(s) of microbial metabolism that contribute most to microbial corrosion in gas pipeline environments; and (3) determine if electrochemical methods can be used to obtain reliable corrosion rate data more quickly than weight loss measurements of metal coupons.

c. In addition to the specific activities described above under each project, the general services provided by GTI include program management and R&D services. Program management expenses are restricted to no more than 10 percent of OTD budgets. R&D services include basic and applied research and technology and product development. The research services include "bench scale" prototype fabrication and laboratory testing to verify proof of feasibility. The development services include design of components, subsystems, and systems, and alpha and beta testing of systems to validate performance, durability, and cost savings potential. Beta testing includes real-world testing, and in the case of operations R&D, testing at LDC facilities.

GTI does most of the R&D internally, but does subcontract out fabrication and testing where others can do it with equal quality and more cost effectively, or where another organization has invented the concept. Additionally, GTI involves potential manufacturers in the projects as early as possible for cost sharing and to enhance the chances for successful commercialization of the results.

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JANUARY 25, 2007**

Question No. 44

Provide the average number of customers for each customer class (i.e., residential, commercial, and industrial) for the 3 calendar years preceding the test period, the test period, and for each month of the test period.

Response of Columbia Gas of Kentucky:

Average Number of Customers:

	Residential	Commercial	Industrial	Public Utilities
September 2006	121,873	14,196	118	2
August 2006	121,880	14,213	119	2
July 2006	122,011	14,301	119	2
June 2006	122,945	14,349	118	2
May 2006	123,733	14,411	119	2
April 2006	125,359	14,620	119	2
March 2006	126,194	14,724	118	2
February 2006	126,477	14,731	119	2
January 2006	126,896	14,744	119	2
December 2005	126,412	14,746	118	2
November 2005	124,851	14,540	119	2
October 2005	122,855	14,376	119	2
Test Year 9/30/06	124,291	14,495	119	2
Calendar Year 2005	125,390	14,661	127	2
Calendar Year 2004	126,100	14,599	124	2
Calendar Year 2003	126,635	14,554	130	2
Calendar Year 2002	126,586	14,506	128	3
Calendar Year 2001	126,320	14,389	129	2

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JAUARY 25, 2007**

Question No. 45

Provide all current labor contracts and the most recent contracts previously in effect.

Response of Columbia Gas of Kentucky:

The Agreement between Columbia Gas of Kentucky, Inc. and Paper, Allied-Industrial, Chemical, and Energy Workers International Union Locals 5-0372 and 5-0628 expired December 1, 2006. Columbia Gas of Kentucky employees covered by this Agreement have been working without an Agreement since that date. The expired Agreement is included as PSC0045 Attachment.

PSC0045 ATTACHMENT

AGREEMENT

BETWEEN

COLUMBIA GAS TRANSMISSION CORPORATION
COLUMBIA NATURAL RESOURCES, INCORPORATED
COLUMBIA GAS OF KENTUCKY, INCORPORATED
COLUMBIA GAS OF OHIO, INCORPORATED

AND

PAPER, ALLIED-INDUSTRIAL, CHEMICAL, AND
ENERGY WORKERS
INTERNATIONAL UNION
LOCALS 5-0372 AND 5-0628

CHARLESTON, WEST VIRGINIA
DECEMBER 1, 2001

THIS AGREEMENT, made and entered into this 1st day of December 2001, by and between COLUMBIA GAS TRANSMISSION CORPORATION, COLUMBIA NATURAL RESOURCES, INC., COLUMBIA GAS OF KENTUCKY, INC., and COLUMBIA GAS OF OHIO, INC., all corporations for their employees as represented in the bargaining unit, established by the NLRB elections (and see the determination in NLRB Cases 9 UC 91, 9 UC 92, and 9 RC 12428), their successors and assigns, hereinafter referred to as the "Company," party of the first part, PAPER, ALLIED-INDUSTRIAL, CHEMICAL, AND ENERGY WORKERS INTERNATIONAL UNION, LOCALS NOS. 5-0372 and 5-0628, its successors and assigns, hereinafter referred to as the "Union," party of the second part, and PAPER, ALLIED-INDUSTRIAL, CHEMICAL, AND ENERGY WORKERS INTERNATIONAL UNION, its successors and assigns, hereinafter referred to as the party of the third part:

WITNESSETH

WHEREAS, the Company is engaged in furnishing essential public services which vitally affect the health, safety, comfort, and well-being of a large majority of the population in the territory covered by its operations, and its very existence is dependent upon the faithful carrying out of its obligations and responsibility to the public; which responsibility is recognized by the parties hereto as being imposed upon the Management and employees of the Company mutually, and that properly to fulfill the same requires that any disputes arising between them be adjusted and settled in an orderly manner without inter-ruption of the Company's services to the public:

WHEREAS, the parties have, through collective bargaining in accordance with the law, agreed upon the incidents of the employment relationship on a con-tractual basis; and,

WHEREAS, it is the desire of the Company and the Union to continue the policy and practice of nondiscrimination because of race, color, religion, age, sex, disability, veteran and Vietnam era veteran, or national origin; and

WHEREAS, while certain job classifications and pronoun references are in the male gender, it is understood that they do not refer exclusively to males and corresponding feminine gender usages will be substituted when appropriate.

NOW, THEREFORE, it is agreed by the parties hereto as follows:

ARTICLE I
Obligations

Section 1. It is recognized that the Company is engaged in rendering a public service and is under the duty to the public of operating and maintaining its public utility service without interruption, and therefore nothing contained in this Agreement shall be construed to conflict or to be incompatible with such duty.

Section 2. It is agreed that during the term of this contract, or during any period of time while negotiations are in progress between the parties hereto for the continuance or renewal of this contract, that there shall be no lockouts, strikes, stoppage of work, or interruption of service to the public.

Section 3. It is agreed that the Company will not discriminate, coerce, or intimidate any member of the Union on account of his membership in the Union. The Union agrees that its officers and members will not solicit member-ship in the Union among employees of the Company when said employees are on duty or Company property, and will not interfere with or restrain or coerce employees of the Company in attempting to influence them to be members of the Union.

ARTICLE II
Recognition

Section 1. The Company recognizes the Union as the exclusive representative of all the employees, as such term is defined and delimited in Section 3 of this Article, for the purpose of collective bargaining in respect to rates of pay, wages, hours of employment, or other conditions of employment: Provided, that any individual employee or a group of employees shall have the right at any time to present grievances to the Company and to have such grievances adjusted, without the intervention of the Union, as long as the adjustment is not inconsistent with the terms of this Agreement: Provided, further, that the Union has been given opportunity to be present at such adjustment.

Section 2. It is agreed that there shall be no hindrance or interference with the Management of the Company in its several departments, including the determination of the Company policy, which does not interfere with the conditions of this Agreement as affecting wages, hours of work, and working conditions. All rights of Management, except insofar as the same are expressly modified in the terms of this Agreement, are hereby reserved to the Company, and the Company specifically has the power and the right to manage the business and direct the working forces, including but not limited to, the right to hire, suspend, or discharge for proper cause, promote, demote, to transfer employees from one job to another (provided, however, that no employee may be permanently transferred from one basic seniority unit to another, without his permission), to lay off employees in

accordance with seniority, as specified herein, to reduce working hours, to move or to close any departments or other segments of the business because of lack of work, or to otherwise generally manage the Company's business.

Nothing in this Section shall be construed to supersede or nullify any of the provisions contained in other Articles.

Section 3.

(a) The term "employee," as used in this Agreement, shall include all production and maintenance employees of the Company in the said bargaining unit, but shall exclude all clerical, supervisory, executive, administrative, professional, temporary employees, and all others excluded by law. "Temporary employees" are hereby defined to mean those employees hired for a specific project or for a specified length of time.

(b) In accordance with the requirement of Section 1, hereunder, an employee will be classified as a Regular employee following any three-months' period in which the employee has worked at least 312 hours of regularly scheduled work exclusive of overtime. Provided, that he meets the Company's requirements as to ability and efficiency, integrity, and physical fitness: Provided, further, that he has submitted record of birth which is satisfactory to the Company.

(c) An employee shall lose his classification as a Regular employee under the following conditions:

(1) Resignation.
(2) Discharge for cause.

(3) Acceptance of other employment except as provided in Article V hereof.

(4) Refusal to accept reemployment within 72 hours after receipt of notification by the Company that employment is available in the basic seniority unit from which the employee was laid off because of lack of work. Such notice may be given by letter at the employee's last known address, by telephone, or by personal contact.

(5) Layoffs of more than one year duration, except in the case of employees with fifteen (15) or more years of accredited service, in which case it shall be layoffs of more than four years' duration.

(d) The Company agrees to notify the Union of an offer of reemployment made by the Company to an employee. Such notice will be either a copy of the notice sent to the employee or will be a notice stating in which other manner the employee was notified.

(e) The performance of non-bargaining unit work by bargaining unit employees will be on a voluntary basis.

ARTICLE III
Supervisors Performing Production and Maintenance Work

Under normal operating conditions, supervisors are not assigned duties that are usually performed by production and maintenance employees.

Supervisors are expected to devote full time to their supervisory duties under normal operating conditions. This policy does not, however, prevent supervisors from performing such necessary functions as job instruction or training of employees; inspecting work, either in progress or completed; operating equipment and facilities in experimental or initial testing operations; and operating in emergency situations or where the safety of people or facilities is in jeopardy.

ARTICLE IV
Check Off

The Company agrees to deduct from the first pay of each month the Union dues and initiation fees which the members of the Union have heretofore or may hereafter, during the term hereof, individually and voluntarily authorize, in writing, the Company to make. The Company will continue to make such Union dues deductions until such time as any member who has previously authorized the Company to make Union dues deductions notifies the Company, in writing, to cancel said deductions. Upon receipt of such notice of cancellation, the Company will forthwith notify such member and the Union that such cancellation will become effective on the first anniversary of the checkoff authorization card or at the termination date of the applicable collective Agreement, whichever occurs sooner. All sums deducted in this manner shall be remitted promptly by the Company to the Union officer designated by the Union.

The International Union and Locals No. 5-0372 and 5-0628 agree to protect the Company under this section and to refund to the Company money that may be involved in the event a member from whose earnings, dues, and initiation fees shall have been deducted by the Company should resort to or cause legal action to be taken against the Company because of such deductions.

ARTICLE V
Leave of Absence for Union Activity

Upon written request 15 days in advance by the Local Union, the Company shall grant a leave of absence to not more than two employees for Union activities. An employee elected to a Union position or selected by the Union to do work which takes him from his employment with the Company shall, upon the written request of the Union, receive a temporary leave of absence for the period of his services for the Union. Upon his return, providing his seniority qualifies him, such employee shall be reemployed to his job or at work generally similar to that in which he was engaged last prior to his leave of absence, and his seniority shall accumulate throughout the period of his leave of absence. Such leave of absence shall be made and granted yearly, subject, however, to the provision of Article IX hereof.

ARTICLE VI
Bulletin Boards

The Company will provide bulletin boards of at least 2' by 2' to be placed on its property where they may be seen by employees entering and leaving their places of employment. Such boards shall be used exclusively by the Union, such use to be confined exclusively to posting on said boards notices pertaining to dues, meetings, and other usual, regular and bona fide activities of the Union, it being the intention hereof that the Union will not use said boards for the direct solicitation of membership in the Union.

ARTICLE VII
Seniority

Section 1. For seniority purposes, the Companies shall be divided into the following separate basic seniority units. However, employees laid off from one basic seniority unit will be given preference in case of hiring by another basic seniority unit, if the laid off employee(s) is qualified.

I. Columbia Gas Transmission Corporation

A. St. Albans Area Basic Seniority Units as follows:

1. Pipelines Seniority Unit (includes Gas Measurement and Telecommunications) consisting of work locations at:

Alexandria, KY
Boldman, KY

Grant, WV
Huff Creek, WV
Kermit, WV
Lockwood, KY
Mt. Olivet, KY
St. Albans, WV
Winchester, KY

2. Compressor Seniority Units consisting of work locations at:

Boldman, KY
Ceredo, WV
Grant, WV
Hubball, WV
Huff Creek, WV
Kenova, WV
Kermit, WV

B. Clendenin Basic Seniority Units as follows:

1. Pipelines Seniority Unit (includes Gas Measurement and Telecommunications) consisting of work locations at:

Clendenin, WV
Cobb, WV
Coco, WV
Frametown, WV
Glenville, WV
Lanham, WV
Ripley, WV

Rockport, WV
St. Albans, WV (Building Services, Trucking, Gas Measurement, Warehouse & Yard)

2. Compressor Seniority Units consisting of work locations at:

Clendenin, WV
Cobb, WV
Coco, WV
Frametown, WV
Glenville, WV
Hunt, WV
Lanham, WV
Ripley, WV
Rockport, WV
Walgrove, WV

3. Charleston Building Services

C. Strasburg Basic Seniority Units as follows:

1. Pipelines Seniority Unit (includes Gas Measurement and Telecommunications) consisting of work locations at:

Cleveland, WV
Elkins, WV
Glady, WV
Pickaway, WV
Seneca, WV
Terra Alta, WV

2. Compressor Seniority Unit consisting of work locations at:

Cleveland Compressor Station
Files Creek Compressor Station
Glady Compressor Station
Lost River Compressor Station
Seneca Compressor Station
Terra Alta Compressor Station

II. Columbia Natural Resources, Inc.

A. Southeast Region Basic Seniority Unit consisting of work locations at:

Crawford, WV
Branchland, WV
Hamlin, WV
Shrewsbury, WV
Kanawha Separation Plant, Tad, WV

B. Southwest Region Basic Seniority Unit consisting of work locations at:

Elkhorn City, KY
Inez, KY
Kermit, WV
Lancer, KY

III. Columbia Gas of Kentucky, Inc.

A. Lexington Distribution Seniority Unit consisting of the following work locations:

Frankfort, KY
Irvine, KY
Lexington, KY
Maysville, KY
Paris, KY
Winchester, KY

B. Ashland Distribution Seniority Unit consisting of the following work locations:

Ashland, KY
Inez, KY
East Point, KY

IV. Columbia Gas of Ohio, Inc.

A. Ironton Distribution Seniority Unit consisting of the following work location:

Ironton, OH

Section 2. Seniority shall be established upon the date the employee is classified as a Regular employee and shall relate back to the date three (3) months next preceding such classification.

Section 3. It is agreed, except as set out, that the Company will in all cases of promotion, demotion, transfer, and decrease or increase of personnel, consider the following factors, and where factors (a) and (b) are, in the opinion of the Company, relatively equal, seniority shall govern.

(a) Training, ability, skill and efficiency
(b) Physical fitness
(c) Seniority shall govern in the following order:

(1) In the basic seniority unit
(2) In the respective Company (that is, TCO, CNR, CKY or COH)
(3) Within the Bargaining Unit

In making transfers, the Company will give special consideration to any employee who has previously submitted a request for transfer and will attempt to avoid transferring any employees who prefer not to be transferred.

Nothing in this Section shall be construed to supersede or nullify any of the provisions contained in other Articles.

Section 4. In the event of a "reduction in force," layoff, or closing of a facility, which results in a net decrease of personnel within the respective Company (that is, TCO, CNR, CKY, or COH), the following process shall apply:

(a) When an employee is displaced as described above, he may exercise his bargaining unit seniority over the most junior employee within his same classification within the respective Company (that is, TCO, CNR, CKY, or COH) or, if qualified, over the most junior employee in any classification at the work location orin his basic seniority unit. This process shall continue until the employee is deemed qualified over the next junior employee or is unable to exercise his seniority.

(b) The displaced employee from (a) may then exercise his bargaining unit seniority over the most junior employee in his same classification within the respective Company (that is, TCO, CNR, CKY, or COH) or, if qualified, over the most junior employee in any classification in the respective Company. This process shall continue until the employee is deemed qualified over the next junior employee or is unable to exercise his seniority.

(c) If an employee is displaced in (b) he, if qualified, may then exercise his bargaining unit seniority over the most junior employee in the respective company (that is, TCO, CNR, CKY, or COH). This process shall continue until the employee is deemed qualified over the next junior employee or is unable to exercise his seniority.

(d) If in any of the preceding steps an employee elects not to or can no longer exercise his seniority, he will be the individual that is displaced.

(e) In all other Section 3 situations, such as reallocation of the workforce, Article II, Section 2 and Article VII, Section 3 will govern.

(f) If the cause of the reduction in force is a direct result of contracting out, then the provisions of Article VIII will apply.

Section 5. Whenever an employee is permanently transferred from one basic seniority unit to another, he shall be considered a new employee inso-far as his seniority in the new basic seniority unit so transferred to, is concerned. However, such employee shall retain his Company seniority and also the seniority he had accumulated in the basic seniority unit from which he was transferred. It is understood that the temporary transfer of an employee will in no way affect his seniority status, and the Company shall be required to notify the employee involved as to the temporary or permanent nature of the work.

Section 6. For seniority purposes, each employee shall be credited, except as otherwise provided, with all periods of actual service accruing after the commencement day of said seniority and, in addition thereto, shall be credited with time lost resulting from (a) jury service or serving as a witness under Court subpoena; (b) layoffs of not more than six-months' duration; (c) illness or injury regardless of duration; (d) service in the military forces of the United States or service upon being drafted in an essential war industry by the Government: Provided, however, that such accrued time shall not continue for a period more than that required by law after discharge or release from such service.

Section 7. An employee shall lose his seniority rights under the same terms that he loses his classification as a Regular employee, as provided in Article II, Section 3(c) of this Agreement.

Section 8. The Companies shall furnish the Secretaries of the Union with the seniority list for each Basic Seniority Unit on a semiannual basis. Said seniority list shall show the employee's Bargaining Unit Seniority Date, Company Seniority Date, and Basic Seniority Unit Date.

Section 9. The Company agrees, upon request, to review with employees or their representatives any cause of layoff, transfer, or rehire, or promotion affecting a worker's seniority status, or any training situation involving one or more employees in which an injustice is alleged and, in the event an injustice is done, will rectify such injustice, provided such request is made within thirty days from the date the injustice first occurred. If no agreement is reached, the matter will assume the status of a controversy subject to the grievance and arbitration procedure provided for in Articles XXVII and XXVIII hereof, and the Arbitrators shall have the right to reverse a Company decision in matters relating to Section 3 hereof when there is proof of abuse of the Company's discretion.

ARTICLE VIII
Contracting Out

Pursuant to Article II, Section 2 of this Agreement, the parties understand that the Company may elect to use independent contractors. However, it is further understood that the Company shall not so contract any work which is performed by its Regular employees which will directly result in one or more Regular employees being laid off. It is further understood that if any Regular employee is permanently transferred to a new work station as the direct result of such contracting out of work, the Company shall pay the employee's reasonable costs and expenses incurred incident to such transfer in an amount not less than those specified and provided for the applicable employees in the respective Company's current Transfer of Personnel Policy.

ARTICLE IX
Physical Examinations

Section 1. The Company may, in cases of frequently recurring absences from duty, or in other exceptional cases, require an examination of any Regular employee by a physician of his own choosing as a condition of continued employment. If the Company is not satisfied with the report of the physician chosen by the employee, the Company may require a reexamination of such employee by a physician chosen by the Company. If the two examinations are not in accord, then the physician chosen by the employee and the one chosen by the Company may elect a third physician to make an examination of such employee, and the decision of the third shall be final.

ARTICLE X
Employee Disability Plans

The Short-Term Disability Plan

The purpose of the Short-Term Disability Plan is to provide all employees, as defined in Article II, Section 3(a) of this Agreement, greater economic security by providing wage allowances during the periods when such employees may be absent from work by reason of a disability due to personal illness, injury, or serious illness or accident in the immediate family.

Eligibility Requirements

To be eligible for such allowances under this Plan, the employee must :

A. Be classified as an employee, as defined in Article II, Section 3 (a), of this Agreement.

B. Permit examination or inquiry by the Company, and furnish a physician's certificate upon request, and must have reported the cause of absence at or as soon after the beginning of the first scheduled working day of absence as the circumstances (including the nature of the disability or illness) reasonably permit.

Basis for Determining Pay

A. Short-Term Disability payments will be computed on the basis prescribed by Article XII of this Agreement.

B. Only absences of four hours or more will be charged against an employee's Short-Term Disability allowance.

C. Short-Term Disability payments will not be allowed for disability incurred while an employee is on leave of absence, furlough, suspension from work, for an illness or injury which may obviously be the result of the employee's own misconduct, or, except as hereinafter provided, for disability which is compensatory under the Workers' Compensation Law of the State of employment or any State or Federal Disability Law.

D. For the purpose of this plan, employees will be credited with one calendar year of service as of the December 31 following date of employment and shall be credited with an additional year on each subsequent December 31.

E. When a period of continuous absence extends from one calendar year into the next, the Short-Term Disability allowance is continued until any unused portion of the maximum allowance based on the credited calendar years of service at the beginning of such continuous absence has been paid. On the expiration of benefits, the time allowable for the current calendar year will not commence until after the employee has returned to work.

F. Payment by the Company to an employee absent for disability compensatory under the State Workers' Compensation Laws, or any State or Federal Disability Law, shall be limited to the difference between the amount of compensation receivable and the Short-Term Disability allowance under this plan.

Schedule of Payments Prior to January 1, 2004, the maximum recognized absence based on an employee's years of service, including absence due to disability compensatory under the Workers' Compensation Law of the State where he is employed, or under any State or Federal Disability Law, is as follows:

Years of Service	Maximum Benefit Period	Weeks at Full Pay	Weeks at Half Pay
1	3	1	2
2	6	2	4
3	13	3	10
4	20	4	16
5	26	5	21
6	26	6	20
7	26	7	19
8	26	8	18
9	26	9	17
10	26	10	16
11	26	11	15
12	26	12	14
13	26	13	13
14	26	14	12
15	26	15	11
16	26	16	10
17	26	17	9
18	26	18	8
19	26	19	7
20	26	20	6

Post January 1, 2004, the "Schedule of Payments" is as follows:

Years of Service	Maximum Benefit Period	Weeks at Full Pay	Weeks at 60% Pay
1 to 9	26	8	18
10 to 19	26	16	10
20 and above	26	26	0

The preceding "Schedule of Payments" represents the maximum allowance for absence permitted an employee on account of personal illness or for serious illness in his immediate family.

Prior to January 1, 2004, where an employee has 20 years or more of service, a special recommendation will be made by the supervisor and submitted to the Management for consideration for extension beyond the above disability schedule.

If an employee is absent due to personal illness, injury, or serious illness or accident in the immediate family, the time necessarily absent from work shall not exceed a reasonable period: Provided, however, that if an employee is absent from work due to death in his immediate family, such absence shall not be charged against the benefits to which such employee is entitled; however, such absence from work for any such death shall not exceed a reasonable period. In all cases of excusable absence from work, the employee is expected to return as soon as reasonably possible, and failure to do so will give the Company the privilege of modifying the above schedule as to such employee in such manner as it shall deem advisable under the circumstances.

Employees With Less Than One Year's Service

When an employee with less than one credited calendar year of service is absent because of personal illness, injury, or serious illness or accident in his immediate family, a recommendation of time off with pay not to exceed a total of five (5) days will be considered.

The Long-Term Disability Plan

The purpose of the Long-Term Disability Plan is to provide all employees, as defined in Article II, Section 3(a) of this Agreement, additional economic security during periods of total disability.

Eligibility for Coverage

All employees are automatically covered by the Plan on a noncontributory basis beginning with the first day they are actively at work.

Commencement and Duration of Benefits

A. An employee will be eligible for Long-Term Disability income, subject to the exceptions in this Section, if his disability prevents him from performing his own duties and engaging in any other reasonable occupation for 26 consecutive weeks: Provided, that separate periods of disability are considered as one continuous period if they arise from the same or related causes and are interrupted by no more than six months of active service. Once started, LTD benefits beginning before age 60 will continue to age 65 or until recovery, whichever occurs first. LTD benefits beginning at age 60 or after will continue for five (5) years after payments begin under the Plan, or to age 70, or until recovery, whichever occurs first. Proof of disability will be required before an employee can qualify for benefits, and the insurance company may require proof, from time to time, that the disability still exists.

B. No benefits are payable for a disability starting during the first twelve months of an employee's participation in the Long-Term Disability Plan if the disability is connected with an illness or injury for which the employee received medical treatment or services during the three month period just before his participation began.

C. During furloughs (but not layoffs) and approved leaves of absence (ex-cept for military service), an employee's Long-Term Disability Plan coverage will continue for the first two months of leave.

D. No benefits will be payable for disabilities resulting from intentional self inflicted injury, or insurrection, riots, war (declared or undeclared), etc., or commission of, or an attempt to commit, a crime.

Long-Term Disability Income

A. Any employee who qualifies for Long-Term Disability with an effective date between January 1, 1988, and December 31, 1998 will receive a monthly benefit equal to 30% of his base monthly pay up to the Social Security tax base and 60% of his base monthly pay in excess of Social Security tax base. However, any employee who qualifies for Long-Term Disability income with an effective date on or after January 1, 1998, will receive a minimum income benefit of 60% of his base monthly pay from the Plan for the first six months of Long-Term Disability income. This minimum benefit shall be reduced by amounts paid by Primary Social Security for any period within this six month period. This minimum income benefit shall be subject to reduction as described in the paragraph next following if disability income from all sources exceeds 70% of the employee's base monthly pay. This minimum income benefit is not in addition to the Long-Term Disability income generated by the 30/60% formula set forth in this paragraph. The monthly disability income benefit payable from this plan will be reduced by amounts

received from Workers' Compensation, other Columbia sponsored plans, and disability benefits provided under any state or federal plan, except Social Security. Any Social Security disability benefits which are payable or may become payable to the employee or his family will not affect the Long-Term Disability benefit, except that total disability income from all above sources may not exceed 70% of the employee's base monthly salary. Any employee who qualifies for Long-Term Disability with an effective date between January 1, 1999, and December 31, 2003, will receive a monthly benefit equal to 60% of his base monthly pay. Any employee who qualifies for Long-Term Disability with an effective date on or after January 1, 2004, will receive a monthly benefit equal to 50% of his base monthly pay. The monthly disability income benefit payable from these plans will be reduced by amounts received from any retirement, unemployment, Workers' Compensation, or disability benefits provided under any state or federal plan, except Social Security or if you receive other forms of compensation or disability benefits from Columbia. Any primary Social Security disability benefits which are payable or may become payable to the employee will not affect the Long-Term Disability benefit, except that total disability income from all above sources may not exceed 70% of the employee's base monthly salary.

B. The full amount of Columbia's portion of an employee's Group Life Insurance continues in force as long as he is receiving Long-Term Disability benefits. An employee's Accidental Death and Dismemberment Insurance coverage will be suspended during his period of total disability.

Contributions by Employees

Long-Term Disability Plan coverage shall be noncontributory for Plan participants through December 31, 2003. Beginning January 1, 2004, coverage at the 50% level will be noncontributory and participants may elect to purchase additional coverage at the 60% level.

Miscellaneous Provisions

A. An employee may continue coverage under Columbia's Comprehensive Medical Expense Plan for his eligible dependents by paying the normal employee monthly contribution rate.

B. If the Long-Term Disability Group Insurance Contract is terminated, the employee's Long-Term Disability rights under this Plan will terminate: Provided, however, that an employee who is totally disabled when the Group Insurance Contract is terminated will continue to be covered by the Long-Term Disability Plan.

Further, termination of employment will terminate rights under this Plan.

C. The preceding paragraphs set forth the basic features of the Long-Term Disability Plan and are subject to the provisions of the Long-Term Disability Group Insurance Contract with Aetna Life Insurance Company or a successor Insurer.

ARTICLE XI
Vacations

Regular employees who have completed at least six (6) months, but less than one (1) year of continuous service prior to December 31 will be entitled to a vacation of one (1) week (40 hours) with pay in the current vacation period.

Regular employees who have completed at least one (1) year, but less than two (2) years of service prior to December 31 will be entitled to a vacation of two (2) weeks (80 hours) with pay in the current vacation period, reduced by any vacation which may have been taken between their sixth and twelfth months of employment.

Employees hired any time during the month of December will, for vacation purposes only, be deemed to have been hired on the first day of December.

Regular employees who have completed at least one (1) year, but less than four (4) years, of service at December 31 will be entitled to a vacation of two (2) weeks (80 hours) with pay in the succeeding vacation period. Effective January 1, 2004, Regular employees who have completed at least one (1) year, but less than three (3) years, of service at December 31 will be entitled to a vacation of two (2) weeks (80 hours) with pay in the succeeding vacation period.

Regular employees who have completed four (4) years, but less than fourteen (14) years, of service at December 31 will be entitled to a vacation of three (3) weeks (120 hours) with pay in the succeeding vacation period. Effective January

1, 2004, Regular employees who have completed three (3) years, but less than ten (10) years, of service at December 31 will be entitled to a vacation of three (3) weeks (120 hours) with pay in the succeeding vacation period.

Regular employees who have completed fourteen (14) years, but less than twenty four (24) years, of service at December 31 will be entitled to a vacation of four (4) weeks (160 hours) with pay in the succeeding vacation period. Effective January 1, 2004, Regular employees hired prior to January 1, 2000, who have completed ten (10) years, but less than twenty four (24) years, of service at December 31 will be entitled to a vacation of four (4) weeks (160 hours) with pay in the succeeding vacation period. Effective January 1, 2004, Regular employees hired on or after January 1, 2000, who have completed ten (10) years of service at December 31 will be entitled to a vacation of four (4) weeks (160 hours) with pay in the succeeding vacation period.

Regular employees hired prior to January 1, 2000, who have completed twenty four (24), but less than thirty four (34), years of service at December 31 will be entitled to a vacation of five (5) weeks (200 hours) with pay in the succeeding vacation period.

Regular employees hired prior to January 1, 2000, who have completed thirty four (34) or more years of service at December 31, will be entitled to a vacation of six (6) weeks (240 hours) with pay in the succeeding vacation period.

Retiring employees (either normal or early retirement) will receive payment for vacation time accrued during the year of retirement. The payment will be computed on the basis of 1/

12 of the vacation eligibility for each full month of service in his final calendar year up to the date he enters retirement status. Vacation eligibility will be determined on the basis of total years of service as of the end of the final calendar year of employment. A vacation payment for employees who become deceased will be made for vacation time accrued during the year in which death occurs. The payment will be computed on the basis of 1/12 of the vacation eligibility for each full month of service in his final calendar year up to the date he becomes deceased. Vacation eligibility will be determined on the basis of total years of service as of the end of the calendar year of employment. Payment to the survivor(s) of the deceased employee will be made in accordance with the laws of the state in which he was a resident.

Eligibility Requirements

To be eligible for vacation, the employee must:

A. Be classified as a Regular employee, and

B. Be actively employed at the time the vacation is scheduled to commence.

General

A. The vacation period will extend from January 1 through December 31 of each year. Upon reasonable notice, an employee may request that his vacation be scheduled for any period between these two dates.In order that the service of the Company may be adequately and properly maintained, the Company reserves the right to fix the time at which a vacation may be taken, but will endeavor in all cases to arrange such vacation at a time desired by the employee. Upon approval of an employee's request the time set will be considered as the employee's scheduled vacation period. However, the Company recognizes that from time to time employees are confronted with unusual situations that conflict with their scheduled vacation. When this occurs, employees may request a change in their scheduled vacation. This request must be submitted ten days in advance to the requested change. Vacation may be deferred within the calendar year if the employee is hospitalized prior to commencement of vacation, with proper prior notice to his supervisor. Upon receipt of the employee's request, the supervisor will grant the request, provided it does not interfere with either the operations of the Company or the previously scheduled vacation of other employee(s).

B. Vacation will commence upon the first normal work day or shift from which the employee is absent on account of vacation, and will run consecutively for the vacation period to which he is entitled.

C. An employee will be entitled to receive an additional day of vacation for a holiday observed by the Company which occurs within his scheduled vacation period, if such holiday occurs within his regularly scheduled work week.

D. An employee with two (2) weeks or more vacation allowance may split one (1) week of said vacation allowance into one (1) or more full days. An employee with four (4) weeks or more vacation allowance may split two (2) weeks of said vacation allowance into one (1) or more full days. Employees should submit their request for split week vacation allowance as required under Paragraphs A and M herein; however, when unforeseen circumstances occur and reasonable notice thereof is afforded to the Company, an employee will be granted a change in his split vacation allowance if it does not interfere with the operations of the Company or the previously scheduled vacation of other employee(s).

E. It shall not be permissible to postpone a vacation from one year to another, nor to draw vacation pay in lieu of a vacation, except as noted in Paragraphs F, G, H, I, and J, below.

F. An employee whose retirement has been approved will be entitled to receive a vacation, or to draw vacation pay in lieu of such vacation, in the year in which the retirement takes place.

G. An employee entitled to a vacation, who is laid off due to lack of work, will be entitled to receive vacation pay in lieu of such vacation. A furloughed employee who accepts temporary reemployment and who is entitled to a vacation will have the option to take vacation pay in lieu of such vacation or to have his vacation rescheduled to a time in the vacation period after he returns to his former job.

H. An employee who resigns or is discharged will be entitled to receive vacation pay in lieu of such vacation, if otherwise eligible.

I. Regular employees entitled to a vacation who enter Military Service will be entitled to vacation pay in lieu of vacation in the year in which they enter Military Service, and also in the year in which they return to the Company from Military Service: Provided, however, that they do not enter Military Service and return from Military Service in the same year.

J. Eligible employees may exercise a vacation carryover option subject to the following requirements:

(1) Employees eligible for two (2) weeks vacation may apply for a vacation carryover for only one (1) week of said vacation allowance.

Employees eligible for three (3) or more weeks of vacation may apply for a vacation carryover for only that portion of the vacation allowance in excess of two (2) weeks.

(2) Vacations will normally be taken in units of five (5) days, except that employees may be granted permission to split their vacation into lesser full day periods.

(3) The right to exercise the carryover option shall be subject to the approvals provided in Subparagraph A above.

(4) The request for carryover must be made in writing by the employee no later than December 1 of the vacation period preceding that in which the carryover is to be effective.

(5) Vacation weeks carried over must be taken during the immediately following vacation period.

K. It shall be permissible for employees to request a payroll advance prior to commencing their vacation. Reasonable notice shall be given to facilitate necessary payroll accounting.

L. The survivor(s) of an employee, who is deceased prior to receiving a vacation to which he would have been entitled, shall receive pay in lieu of vacation. Payment will be made in accordance with the laws of the State in which he was a resident.

M. Employees will be given an opportunity to signify, in writing, prior to the 15th day of March, upon a list to be furnished by the Company and posted in each Department, their choices of vacation dates: Provided, however, that any employee desiring his vacation between January 1 and April 1 must make arrangements with his supervisor. Seniority shall be given paramount consideration.

ARTICLE XII
Off-Duty Pay

All authorized off duty pay for such purposes as vacations, holidays, illness, jury service, or for any other reason provided herein shall be at the rate of pay of the employee's regular classification for the number of hours regularly scheduled to work. The foregoing provisions of this Article are, however, subject to the provisions of Article X hereof.

ARTICLE XIII
Termination Pay

Nothing herein contained shall be construed to interfere with the right of the Company to suspend or discharge or lay off an employee for just cause: Provided, however, that when a reduction in the Regular personnel is necessary, the employees whose services are to be discontinued shall be given five days' advance notice thereof; and in the event such notice is not given, the Company will pay such employee the equivalent of five days' pay at his regular rate.

ARTICLE XIV
Leaves of Absence

Section 1. When its business permits, the Company may grant a leave of absence to an employee, upon request, for a period of not to exceed three months, for any reason other than for the purpose of seeking or accepting other employment. Such leave of absence may also be extended for a similar period, if mutually agreed upon between the Company and the employee.

Section 2. All leaves of absence in excess of thirty days shall be in writing, and a copy thereof furnished the employee and the Union.

Section 3. Before the expiration of any leave of absence in excess of thirty days, or an extension thereof, the employee shall apply for reinstatement and, if he is physically qualified to perform his former duties, shall be reinstated. The Company may require, as a condition precedent to reinstatement, a physical examination, as provided for in Section 2 of Article IX.

Section 4. If such employee does not apply for reinstatement before expiration of the period of the leave of absence, or if he accepts other employment during such leave of absence without the written consent of the Company, or if he is physically unqualified to perform his accustomed work his employment with the Company will cease and terminate.

Section 5. Upon reinstatement of the employee at the expiration of leave of absence, he shall resume his employment in the job classification which he left with the Company and shall receive his seniority and other benefits to which he was entitled at the time his leave was commenced.

ARTICLE XV
Safety

The parties hereto agree that safety of employment is of vital importance both to the Company and the employee, and further agree that no employee shall be required to perform any work, unless reasonably proper safeguards are maintained. An inspection of any equipment may be secured at all reasonable times upon the recommendation of any employee working on or near such equipment. The local Worker's Committee may meet with the Superintendent and if not satisfied, then with the Management, for the purpose of discussing the elimination of hazards in order to prevent accidents.

ARTICLE XVI
Pay Days

Section 1. The Company shall pay its employees on a bi-weekly basis. Employees shall have the option to have direct deposit of their checks or to have their checks mailed directly to the residence or mailed to be in the hands of the supervisors for delivery by them to the employees on the mornings of alternate Friday pay days. Whenever a regular pay day falls on a recognized holiday, the Company shall endeavor to have the checks to the employees as elected above on the workday preceding the holiday.

Section 2. Employees' pay shall be made available at the work station closest to them during regular office hours or mailed directly to their residence. However, employees whose hours begin and end at other than regular office hours of the Company shall be paid at their job site. Employees who live and work at locations distant from their work stations shall have their pay checks mailed to them.

Section 3. There shall be a two week lag for the payment of exception pay by the Company. At the time the exception pay is paid, the Company will provide information to the employee identifying the period of time for which the employee is being paid exception pay.

ARTICLE XVII
Lunch Period

Section 1. Each employee shall be entitled to a lunch period after the employee has been on duty for four hours. The length of time for said lunch period shall be reasonable and shall be fixed by agreement between the Worker's Committee and the Company, or a representative thereof.

Section 2. Whenever continuous overtime work of two hours or more is required and at intervals of four hours subsequent thereto, the Company shall, for each and every occurrence, furnish the employee a meal at its own expense and afford the employee an opportunity of eating same, or in lieu thereof such employee shall be paid $15.50 for each occurrence.

Section 3. Whenever a call out involves continuous work of five (5) or more hours, the Company shall, after four (4) hours, furnish the employee a meal at its expense and afford the employee an opportunity of eating same, or in lieu thereof such employee shall be paid $15.50. The foregoing requirement shall not apply in the case of an employee who is called out to perform a scheduled shift.

ARTICLE XVIII
Schedule of Hours

Section 1. Time and one half shall be paid for all overtime in excess of eight hours on any work day, and for all overtime in excess of forty hours in any one work week: <u>Provided</u>, that no employee shall be paid both daily and weekly overtime on account of the same hours of overtime worked: <u>Provided</u>, <u>further</u>, that an employee shall not be laid off in order to avoid overtime payments.

Section 8. When a call out or prescheduled overtime is required, it shall be apportioned as reasonably practicable among qualified employees, who are either permanently or temporarily assigned to the work location. Consideration will then be given to the available employee in the classification that normally performs the work including those temporarily assigned employees who have been assigned or upgraded into a "fill-in" position for normal operations for 30 or more consecutive work days. A record of the overtime hours worked by each employee will be posted monthly by Columbia Gas Transmission Corporation, Columbia Natural Resources, Inc., Columbia Gas of Kentucky, Inc., and by Columbia Gas of Ohio, Inc. If an employee is excused from an overtime assignment which he has been requested to perform, his overtime record shall be charged with the same number of hours as that of the employee who actually performed the overtime work.

When continuous overtime is required by the Company, the employee(s) who is working on the job will be allowed to work the overtime. The Company will not be required to pay for time not worked under this section; however, the Company will endeavor to equalize the overtime as reasonably as practicable.

Section 9. Whenever an employee has worked continuously in excess of sixteen (16) hours and has been released from duty by the Company, he shall be entitled to an eight (8) hour rest period before he returns to work. If the rest period extends into the employee's regular scheduled shift, he shall be excused with pay at his straight time rate for that part of his regular scheduled shift necessary to make up the eight (8) hour rest period. In the event that an employee

is required by the Company to work during such rest period, he shall receive straight time pay for the hours worked in addition to his rest period pay.

Section 10. Paid vacation time, jury duty, short term disability, and military leave shall be considered as time worked for the purpose of computing overtime.

ARTICLE XIX
Classifications

Section 1. An employee entering a classification shall receive the rate of pay shown in Addendum A. An employee required to work temporarily in a lower job classification shall, nevertheless, receive his achieved classified rate set forth in Addendum A. Further, an employee permanently reclassified to, or required to work temporarily in another job in the same job grade, shall retain his achieved classified rate set forth in Addendum A.

Section 2. Except as provided in the following paragraphs in this section, an employee required to work temporarily in a higher job classification shall receive the Replacement Rate therefore set forth in Addendum A. An employee who has attained a higher regular job classification and who was demoted shall receive the highest rate which he had attained whenever he is required to work in such higher job classification. An employee who works temporarily in a higher job classification shall receive credit toward the higher rates for all hours worked in such higher job classification. When an employee has amassed 1,040 work hours in such capacity, he shall thereafter receive the Six Month Rate for work in the higher classification. When he has amassed an additional

1,040 work hours in such capacity, he shall receive the Twelve Month Rate for work in the higher classification. An employee who has attained a higher regular job classification, and who was demoted, shall have the number of actual work hours in such higher regular job classification credited toward the aggregate 1,040 work hour periods set out in this paragraph. Notwithstanding the preceding provisions, when upgrading is used to fill a position on a daily basis for a period of 130 work days in any calendar year, and, if the Company thereafter determines a permanent vacancy exists, this vacancy will be posted in accordance with provisions of Article XXV hereof.

Section 3. An employee is considered to be promoted when he is permanently reclassified to a job in a higher job grade. At the same time, except as provided in the following paragraphs of this section, his rate shall be increased to the Beginning Rate set forth in Addendum A, and in due course to the Six Month Rate and to the Twelve Month Rate. An employee who has attained such regular job classification, and who was demoted, shall receive the highest rate which he had attained when he is again promoted to that classification. In addition, the proper rate for an employee who has been promoted will be determined as follows:

(a) Employees who have amassed 173 or more hours in the classification to which they were promoted will be credited with the number of actual work hours achieved under Section 2 of this Article toward the Six Month Rate.Employees who have amassed 1,213 or more hours in such classification to which they were promoted, will be credited with the number of actual work hours achieved under Section 2 of the Article toward the Twelve Month Rate. Those eligible employees will continue to receive credit in such classification for hours worked (exclusive of overtime) toward either the Six Month or Twelve Month Rate, whichever is applicable. However, once such employee achieves the Six Month Rate, his rate shall then be increased, in due course, to the Twelve Month Rate in a six month period as provided in the first paragraph of this section.

(b) Employees who have not amassed at least the 173 hours, as specified in (a) above, will be paid at the beginning rate and such employee will achieve the Six Month and Twelve Month Rates in due course on a monthly basis in accordance with the first paragraph of this section.

Section 4. An employee is considered to be demoted when he is permanently reclassified to a job in a lower job grade. At the same time, his wage shall be reduced to the Twelve Month Rate set forth in Addendum A for such lower job.

Section 5. A Regular employee who is furloughed for lack of work and who is offered temporary reemployment by the Company shall be entitled to receive his regular classified rate of pay while performing temporary work during the period of his furlough, even though he is employed on work of a lower classified rate of pay.

For the purpose of this Section 5, a furloughed employee shall be construed to mean one laid off for lack of work, but whom the Company intends to recall upon the resumption of operations at his regular place of employment.

ARTICLE XX
Wearing Apparel

Section 1. In conformity with the present practice of the Company, employees required to work under extreme weather conditions shall, if possible, be furnished with rain coats and rubber boots, which shall remain the property of the Company. Upon failure of any employee to return such apparel, he shall be charged for same, and said charge may be deducted from any sum due such employee by the Company: Provided, however, that where the Company requires its employees to wear a particular kind of apparel, the Company agrees to furnish same in the first instance, the cost of replacement, however, to be borne 75% by the Company and 25% by the employee.

Section 2. The Distribution Company agrees to furnish the first two (2) pairs of coveralls or the option of one (1) pair of coveralls and one (1) two-piece set of work clothing (Carhartt) and the first two (2) T shirts to outside Distribution

Plant employees, excluding employees who are required to wear a uniform. Distribution employees may substitute a one piece set of work clothing (Carhartt) for the aforementioned two piece set of work clothing (Carhartt).

Section 3. Such clothing will be provided on the following basis: (a) The Distribution Company will provide the first two (2) pairs of coveralls or one (1) pair of coveralls and one (1) two piece set of work clothing and the first two (2) T shirts (unless previously provided to an employee under prior agreements) without cost; (b) The cost of replacing such clothing when necessary will be borne 75% by the Distribution Company and 25% by the employee; (c) The employee will, at his own expense, keep such clothing clean and in good repair.

ARTICLE XXI
Holidays

Holidays shall be:
New Year's Day
Good Friday**
Memorial Day (last Monday in May)
Independence Day
Labor Day
Thanksgiving
The Day After Thanksgiving
Christmas
Three (3) Personal (Floating) Days* ***

*Only the Personal (Floating) Days may be taken in increments of four hours.

**Effective January 1, 2004, Good Friday will no longer be a fixed holiday.
***Effective January 1, 2004, the number of Personal (Floating) Days will increase to 4.

In order that the service of the Company may be adequately and properly maintained, the Personal (Floating) Days are established with the understanding that the Company reserves the right to fix the time at which the Holidays may be taken, but will endeavor to arrange the day, if possible, at a time desired by the employee. Employees will not be entitled to the Personal (Floating) Days unless they have become classified as a "Regular" employee, as provided in Article II, Section 3(b) of this Agreement by November 1 in the year of hire.

If any of the above holidays fall on Sunday, the following Monday shall be observed as the holiday, except when such Sunday falls on a regularly scheduled work day of an employee; and if any of the above holidays fall on Saturday, the preceding Friday shall be observed as the holiday, except when such Saturday falls on a regularly scheduled work day of an employee. Employees required to work on any of the above holidays shall be compensated for hours worked at the rate of two and one half times their regular rate of pay for the first eight hours worked, and at the rate of time and one half their regular rate of pay for any hours in excess of the first eight hours worked. Regular employees not working on any of the above holidays shall receive eight hours' pay at their regular rate; and further, if any observed holiday falls on one of their regularly scheduled work days, such holiday shall be considered as time worked for the purpose of computing overtime.

ARTICLE XXII
Jury Duty

In the event a Regular employee is called for jury service, said employee shall request time off from his supervisor. The Company will pay the employee his regular base pay while serving such duty.

ARTICLE XXIII
Travel and Expenses

Section 1. An employee temporarily assigned from his home work station to another work station for a specific project anticipated to require one or more days of work, or for a specified length of time of one or more days, shall be (a) allowed to travel from his residence on Company time when first reporting to work at the temporary work station and when returning to his residence when the Company decides that his services at the temporary station are no longer required; (b) afforded the opportunity to travel to his residence and back to his temporary station every other weekend on Company time; (c) when the nearest suitable temporary lodging is more than ten miles away from the temporary work station, allowed to travel on Company time for the distance over ten miles both in reporting to the temporary station each morning and in returning to the place of temporary lodging each night; and (d) reimbursed for his reasonable and actual cost of temporary lodging and meals while away from home and lawful travel expenses and other reasonable and actual expenses incurred while away from home: Provided, that in lieu of the foregoing travel time allowances and expense reimbursements, the Company will reimburse the employee for the actual cost of his midday meal and his actual daily travel expenses between his residence and the temporary station and back if the distance between his residence and the temporary station is reasonably close, and if such alternative does not impair or disrupt the work continuity, or create added expense, or adversely affect the employee's performance of his temporary assignment. An employee in a daily travel situation under the "proviso" portion of Section 1, under normal driving conditions, will travel the first thirty (30) minutes going to and returning from the temporary assignment each day on his own time. Any travel time required beyond thirty (30) minutes will be considered as time worked.

Section 2. An employee assigned to work outside the jurisdictional area of his home work station at the time of his mid-day meal will be eligible for a lunch money allowance of $5.30.

Section 3. During the term of this Agreement, the personal vehicle mileage reimbursement rate shall be the Internal Revenue Service rate applicable to that period.

ARTICLE XXIV
Benefit Plans

It is agreed that in the event the Company discontinues the Comprehensive Medical Expense Plan, Group Life Insurance Plan, or Retirement Income Plan, which are presently in effect, or changes the benefits of such Plans, then the Company shall promptly advise and forthwith meet with the Union to bargain over the affected benefits.

ARTICLE XXV
Job Posting and Bidding

Section 1. When a permanent vacancy which is to be filled occurs within any of the job classifications set out in Addendum A, except Utility or Janitor, the Company will post notice thereof, including the intended date the vacancy is to be filled, in the particular basic seniority unit involved (as set forth by Article VII, Section 3(c)(1)) for a period of not less than ten (10) days prior to the time such vacancy is to be filled, during which time any eligible employee in such basic seniority unit may apply therefor; provided, however, that if any employee accepts a job that does not involve a change in his job classification, he shall be ineligible to exercise his rights to apply for another job that does not involve a change in his job classification for a period of twelve months following the effective date of job acceptance (provided further that an employee may exercise his rights to apply for another job that does not involve a change in his job classification if his work location is closed). In the event a permanent vacancy which is to be filled occurs within either the Utility or Janitor job classifications, the Company shall forthwith proceed to consider those employees within the same basic seniority unit who had applicable Requests for Transfer on file at the time the vacancy occurred. Any such vacancy will be filled in accordance with the terms of this Agreement, and the Company will post the name of the employee awarded any such vacancy, within two weeks after the expiration of the ten day posting period, at all such work locations within the same basic seniority unit.

Section 2. In the case of a permanent vacancy posted under Section 1 of this Article but not filled by a bidder and in the case of a permanent vacancy within either the Utility or

Janitor job classifications, the Company shall forthwith proceed to consider the following Regular employee groups in the order listed:

(a) employees working elsewhere but with seniority rights in the basic seniority unit in which the permanent vacancy exists, who had applicable Requests for Transfer on file when the original vacancy was posted;
(b) laid off employees who still retain their classifications as Regular employees under Article II, Section 3(c) here-of;

(c) surplus employees;

(d) pre-surplus employees;

(e) furloughed employees; and

(f) other employees who had applicable Requests for Transfer on file when the original vacancy was posted.

Employees who have Requests for Transfer on file and refuse to accept an offered transfer shall be ineligible to exercise their rights to (a) and (f) above for a period of twelve (12) months following the effective date of the offered transfer.

Irrespective of the employee group from which the vacancy may be filled, such vacancy will be filled in accordance with the terms of this Agreement; and within twenty (20) days, the Company will notify the Union and the involved employees of the results of such review: Provided, that nothing in this Article or other Articles of this Agreement shall be construed as

requiring the Company to offer to the involved employees the same job classification under this Section 2 that was not filled by posting under Section 1.

Section 3. In the case of a permanent vacancy posted under Section 1 but not filled under preceding sections of this Article, before filling said permanent vacancy with a person who is not a Regular employee, as defined in Section 3 of Article II of this Agreement, the Company shall post notice of said permanent vacancy at all other work locations within the bargaining unit which is covered by this Agreement.

Such posting shall be for a period of not less than ten (10) days, during which time any eligible employee (except those in the basic seniority unit involved) may apply therefor.

Any such vacancy will be filled in accordance with the terms of this Agreement; and the Company will post the name of the employee awarded any such vacancy, within two weeks after the expiration of the ten day posting period, at all such work locations: Provided, that nothing in this Article or other Articles of this Agreement shall be construed as requiring the Company to post the same job classification under Section 3 that was not filled under the preceding Sections of this Article.

Section 4. The Union and the Company, being appreciative of the fact that the prompt filling of vacancies is to their mutual advantage, agree that if the filling of a vacancy by the Job Posting and Bidding Procedure results in one or more additional, permanent vacancies (secondary vacancies) to be filled, the Company will endeavor to post such secondary vacancies at the time of the posting of the primary vacancy. The Company will process the filling of all vacancies with all reasonable dispatch.

Section 5. Newly hired employees shall be ineligible to bid on or transfer to another job for a period of twelve (12) months following the effective day of job acceptance, except where such bid would involve a promotion to a higher job classification. Nothing in this Section 5 shall be construed as limiting the Company's right to transfer or to reassign employees.

ARTICLE XXVI
Worker's Committee

Section 1. The Union shall elect not more than eight (8) members from Local 5-0372 (to consist of at least one employee of Columbia Gas Transmission Corporation, one employee of Columbia Natural Resources, Inc., one employee of Columbia Gas of Kentucky, Inc., and one employee of Columbia Gas of Ohio, Inc.) and six (6) members from Local 5-0628 (to consist of at least one employee of Columbia Gas Transmission Corporation and one employee of Columbia Natural Resources, Inc.) to represent it in negotiations with the Company, those representatives to be the group herein referred to as the "Worker's Committee."

The foregoing shall have no effect upon the number of Worker's Committee members authorized under Article XXVII to participate in the Grievance Procedure, except that at least one of the authorized Committee members so participating shall be an employee of the particular company involved in the grievance or controversy.

Section 2. The Committee above mentioned shall be selected from among and by the employees subject to this Agreement; and in order to be eligible for membership on such Committee, an employee must be a Regular employee of one of the Companies party to this Agreement, a member of the Union, and an American citizen.

Section 3. It is agreed that the Union will furnish the Company with a certified list of the members of said Committee and advise the Company, in writing, of any changes made therein from time to time, and only such members as have been duly certified by the Union shall be entitled to attend the meetings of said Committee and shall suffer no loss of pay therefore.

ARTICLE XXVII
Grievances

Section 1. Any employee may discuss with his immediate supervisor any complaint or other matter which he feels requires adjustment. The employee may be accompanied by his committeeman or his steward if he so desires.

Section 2. If a settlement is not obtained in Section 1 the employee or group of employees may seek redress as follows:

Step I. The aggrieved employee or group of employees shall present the grievance in writing, on forms to be supplied by the Company, to the appropriate immediate supervisor within thirty (30) calendar days after the occurrence giving rise to the grievance. The Distribution Area Manager or the appropriate Superintendent, as the case may be, and/or such other Company representative as he may designate shall within ten (10) days (excluding Saturday, Sunday and Holidays) investigate and meet with the aggrieved employee, or one member of a group of aggrieved employees, and not more than three (3) members of the Worker's Committee at a mutually agreed upon location. Within ten (10) days (excluding Saturday, Sunday and Holidays) after such meeting, the Company's decision shall be communicated in writing to the employee or employees concerned, the Worker's Committee, and the Secretary of the Local.

Step II. If results satisfactory to the employee or employees are not obtained in Step I, the case may then be submitted, in writing, within 30 days after the issuance of the Company's Step I answer for final determination by the Company to the designated Human Resources representative. The Company shall within thirty (30) days (excluding Saturday, Sunday and Holidays) or by mutual agreement, meet with the aggrieved employee, or one member of a group of aggrieved employees, and not more than three (3) members of the Worker's Committee. Within ten (10) days (excluding Saturday, Sunday and Holidays) after such meeting , the Company will communicate its decision in writing to the Union.

Section 3. It is agreed that if a grievance is not referred or appealed to the next Step within the specified time limits, as set out in Steps I and II above, it shall be considered settled without prejudice. The Management agrees that it will meet with the Worker's Committee at such times as may be agreeable, and those members of the Committee who are caused to lose time from their regular schedules because of such meetings shall suffer no loss of pay.

ARTICLE XXVIII
Arbitration

Section 1. If there arises any controversy between the employee or a group of employees and the Company, with respect to the interpretation of the provisions of this Agreement, or wherein there is alleged a violation of the terms of this Agreement, such controversy shall first be treated as an ordinary grievance and processed through the Steps, as provided for in Article XXVII.

An earnest effort shall be made by the Company and the Union to reach an amicable adjustment of all grievances.

Section 2. In the event an amicable adjustment of a grievance, as defined in Section 1 of this Article, cannot be reached by the grievance procedure as set out in Article XXVII of this Agreement, the matter shall be submitted to Arbitration as provided in Section 3 hereof, after notice is given in writing within thirty (30) days after the completion of the grievance procedure. Unless notice is given within thirty (30) days as set forth above, the grievance shall be considered settled without prejudice.

Section 3. (a) If any controversy or grievance arising under the terms of this Agreement cannot be adjusted and settled in the manner above provided, the same shall be promptly submitted to a Board of Arbitration, to be selected as follows: One to be chosen without delay by the Company and one to be chosen without delay by the Union. These two shall meet within ten (10) calendar days; and if they cannot reach agreement, the Union arbitrator shall, within thirty (30) calendar days, notify the Company arbitrator of the Union's desire to select a third member to complete the Board of Arbitration. In the event such notice is not timely given, the matter shall be considered to have been settled. If these two cannot reach an agreement as to the selection of a third member, the Federal Mediation and Conciliation Service or another arbitration service mutually agreed to by the Company and the Union shall appoint said third member to complete the Board of Arbitration. When the third member has been thus selected, the parties will attempt to provide him with a joint statement of the issue to be arbitrated. The Board of Arbitration shall limit its decision to the issue or issues thus submitted by the parties and shall have no authority to amend, add to, or subtract from this Agreement. The decision of such Board of Arbitration shall be rendered without delay, and the decision of the majority of said Board shall be final and binding on all parties involved in such grievance and shall conclusively determine the same.

(b) If an employee's case is at any stage decided in his favor, he will be put in the same financial position by the Company as if it had been originally so decided and his seniority shall not be affected.

(c) Any number of grievances may be presented at the same arbitration hearing or hearings so long as the latest of those selected for hearing was appealed to arbitration no more than sixty (60) days after the date first was appealed to arbitration.

ARTICLE XXIX

If any Court shall hold any part of this Agreement invalid, such decisions shall not invalidate the entire Agreement.

ARTICLE XXX

This Agreement shall be effective from December 1, 2001, to the first day of December 2006, and, unless terminated at the end of that period by sixty (60) days' prior written notice from one party to the other, shall continue thereafter until terminated by either party on a sixty (60) days' written notice or amended by mutual consent.

ARTICLE XXXI

The PAPER, ALLIED-INDUSTRIAL, CHEMICAL, AND ENERGY WORKERS INTERNATIONAL UNION guarantees the Company performance of this Agreement by Local Unions Nos. 5-0372 and 5-0628 of the PAPER, ALLIED INDUSTRIAL, CHEMICAL, AND ENERGY WORKERS INTERNATIONAL UNION.

ARTICLE XXXII

All notices in connection with the operation of this Agreement shall be mailed to:

Director of Human Resources
Columbia Gas Transmission Corp.
P.O. Box 1273
Charleston, West Virginia 25325

Secretary-Treasurer
Local 5-0372
P.O. Box 330
Prestonsburg, Kentucky 41653

Financial Secretary
Local 5-0628
P.O. Box 6766
Charleston, WV 25362

Paper, Allied-Industrial, Chemical and Energy Workers International Union
3340 Perimeter Hill Drive
Nashville, TN 37211

Director Employee and Labor Relations
Columbia Gas of Kentucky, Inc. and Columbia Gas of Ohio, Inc.
200 Civic Center Drive
Columbus, OH 43216

Director of Human Resources
Columbia Natural Resources, Inc.
900 Pennsylvania Avenue
P. O. Box 6070
Charleston, WV 25362

Manager of Human Resources
Columbia Gas of Kentucky, Inc. and Columbia Gas of Ohio, Inc.
2001 Mercer Road
Lexington, KY 40511

Secretary-Treasurer
Local 5-0372
Kenova, WV

Secretary-Treasurer
Local 5-0628
Clendenin, WV

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their proper officers, thereunto duly authorized.

COLUMBIA GAS TRANSMISSION CORPORATION and COLUMBIA NATURAL RESOURCES, INC

Carolyn Jevelle
Carolyn Jevelle
Human Resources Director

COLUMBIA GAS OF KENTUCKY, INC. and COLUMBIA GAS OF OHIO, INC.

Jovette Pino
Jovette Pino
Director of Employee and Labor Relations

Lori Johnson
Lori Johnson
Manager of Human Resources

LOCAL 5-0372, PAPER, ALLIED-INDUSTRIAL, CHEMICAL, AND ENERGY WORKERS INTERNATIONAL UNION

Larry Williamson

Gary Kendrick

David Bailey

George Russell

Jeff Hill

Tim Logan

Merle Lucas

Paul Hale

Paul Dennin

Jack Johnson

LOCAL 5-0628, PAPER, ALLIED-INDUSTRIAL, CHEMICAL, AND ENERGY WORKERS INTERNATIONAL UNION

Charles V. Armstead

Kenneth Payne

Steve Halstead

Richard Casto

Alan White

Mike Wood

PAPER, ALLIED-INDUSTRIAL, CHEMICAL, AND ENERGY WORKERS INTERNATIONAL UNION

John Knauff

SCHEDULE 4

EFFECTIVE DECEMBER 1, 2004

Job Grade	Minimum Beginning or Replace-ment Rate	Six-Month Rate	Twelve-Month Rate
1*	18.6128	18.7354	18.8246
1	19.5156	19.6160	19.7832
2	19.8946	20.0172	20.2178
3	20.3293	20.4742	20.6748
4	20.8978	21.0872	21.2152
5	21.4996	21.5888	21.8229
6	22.2576	22.3632	22.6477
7	22.9263	23.1716	23.4837
8	23.9629	24.3085	24.5537
9	25.0775	25.4171	25.7129

Rates to be paid to employees entering the Utility-B (1) or Janitor-Night (1*) classifications on or after December 1, 1984.

SCHEDULE 5

EFFECTIVE DECEMBER 1, 2005

Job Grade	Minimum Beginning or Replace-ment Rate	Six-Month Rate	Twelve-Month Rate
1*	19.2319	19.3576	19.4490
1	20.1573	20.2601	20.4315
2	20.5457	20.6714	20.8770
3	20.9913	21.1398	21.3455
4	21.5740	21.7682	21.8993
5	22.1909	22.2823	22.5222
6	22.9678	23.0761	23.3676
7	23.6533	23.9046	24.2245
8	24.7158	25.0699	25.3213
9	25.8582	26.2062	26.5094

Rates to be paid to employees entering the Utility-B (1) or Janitor-Night (1*) classifications on or after December 1, 1984.

ADDENDUM A
Job Classification

COLUMBIA GAS TRANSMISSION CORPORATION

COLUMBIA NATURAL RESOURCES, INC.

Job Grade 1
- Janitor - Night
- Utility-B*

Job Grade 2
- Utility-A

Job Grade 3
- Lead Janitor - Night

Job Grade 4
- Bailing Machine Helper
- Groundskeeper
- Operating & Maintenance - Trainee
- Roustabout-B
- Welder Trainee

Job Grade 5
- Cleaning Out Helper
- District Instrument Mechanic-C
- Instrument Mechanic-B
- Truck Driver
- Warehouseman
- Well Tender

Job Grade 6

- Assistant Operator-B
- Bailing Machine Operator
- Carpenter
- Communication Repairman-B
- District Instrument Mechanic-B
- Inspector-A
- Inspector-Aerial
- Pumper
- Repairman
- Warehouseman-A
- Welder-B

Job Grade 7

- Automotive Mechanic
- Operating & Maintenanceman - Operating Center
- Roustabout-A
- Truck Driver Heavy
- Welder-A

Job Grade 8

- Automation & Electrical Mechanic -B
- Auto & Heavy Equipment Mechanic
- Cleaning Out Man
- Communication Repairman-A
- District Instrument Mechanic-A
- Electrician-B
- Heavy Equipment Operator
- Instrument Mechanic-A
- Operator-B
- Operating & Maintenance Man - Hdq. Bldg.
- Welder-AA

Job Grade 9

- Automation & Electrical Mechanic-A
- Building Facilities Electrician
- Chief Automotive Mechanic
- District Instrument Mechanic-AA
- Electrician-A
- Machinist
- Maintenance Mechanic
- Operator-A
- Welder-AAA

* Utility-B is automatically promoted to Utility-A upon completion of one year's service with the Company.

ADDENDUM A (continued)
COLUMBIA GAS OF KENTUCKY, INC and COLUMBIA GAS OF OHIO INC
The following schedule of wages shall apply to the following classifications for the respective periods set forth below:

SCHEDULE 1 --- EFFECTIVE DECEMBER 1, 2001 AT CKY
SCHEDULE 1 --- EFFECTIVE MARCH 1, 2002 AT COH - IRONTON

Classification	Minimum Beginning Or Replace-ment Rate	Six-Month Rate	Twelve-Month Rate
Building Maintenance Operator	20.7460	20.9715	21.2585
Carpenter (Upgrade Job Only)	19.5466	19.6390	19.8953
Construction & Regular Operator	21.6993	22.0170	22.2425
Customer Service-A	20.7460	20.9715	21.2585
Customer Service-B	20.1310	20.2233	20.4898
Customer Service-Sr.	22.7243	23.0215	23.3188
Dispatcher-A	20.2643	20.3463	20.6230
Dispatcher-B	19.4340	19.5160	19.7313
General Utility-A	21.6993	22.0170	22.2425
General Utility-B	20.1310	20.2233	20.4898
Heavy Equipment Operator	20.7460	20.9715	21.2585
Inspector-A	20.1310	20.2233	20.4898
Inspector-B	19.4340	19.5160	19.7313
Measurement & Regulation			
Inspector-AA (Upgrade Job Only)	22.7243	23.0215	23.3188
Inspector-A	21.8223	22.1298	22.3655
Inspector-B	20.1310	20.2233	20.4898
Meter Reader	19.4340	19.5160	19.7313
Meter Reader*	16.9125	17.8555	18.7883
Regulator Inspector-AA (Upgrade Job Only)	22.6525	22.9703	23.2470
Regulator Inspector-A	21.7608	22.0683	22.3040
Street Service-A	20.7050	20.8280	21.0843
Street Service-A – Ironton***	20.7050	20.8280	21.0843
Street Service-B	19.4340	19.5160	19.7313
Street Service-C	18.8805	19.0548	19.1573
Truck Driver	19.4340	19.5160	19.7313
Truck Driver Heavy	20.1310	20.2233	20.4898
Utility-A	17.9580	18.0708	18.2553
Utility-B**	16.7793	16.8920	16.9740
Warehouse	19.7210	19.7928	19.9670
Warehouseman	19.4443	19.5263	19.7313
Welder-A	20.7460	20.9715	21.2585
Welder-AA	21.6993	22.0170	22.2425
Welder-AAA	22.7243	23.0318	23.3188
Welder-B	20.1310	20.2233	20.4898
Welder-C	19.8543	20.1003	20.2745

*Rates to be paid to employees entering the Meter Reader Classification on or after December 1, 1984
**Utility-B is automatically promoted to Utility-A upon completion of one year's service with the Company
***Wage rate for existing Ironton Street Service A employees only. Employees entering the classification after December 1, 2001, will go in at the other Street Service A rate schedule

ADDENDUM A (continued)
COLUMBIA GAS OF KENTUCKY, INC and COLUMBIA GAS OF OHIO INC
The following schedule of wages shall apply to the following classifications for the respective periods set forth below:

SCHEDULE 2 --- EFFECTIVE DECEMBER 1, 2002

Classification	Minimum Beginning Or Replace-ment Rate	Six-Month Rate	Twelve-Month Rate
Building Maintenance Operator	21.2647	21.4958	21.7900
Carpenter (Upgrade Job Only)	20.0354	20.1300	20.3926
Construction & Regulator Operator	22.2417	22.5674	22.7986
Customer Service-A	21.2647	21.4958	21.7900
Customer Service-B	20.6343	20.7288	21.0020
Customer Service-Sr.	23.2924	23.5970	23.9017
Dispatcher-A	20.7709	20.8549	21.1386
Dispatcher-B	19.9199	20.0039	20.2245
General Utility-A	22.2417	22.5674	22.7986
General Utility-B	20.6343	20.7288	21.0020
Heavy Equipment Operator	21.2647	21.4958	21.7900
Inspector-A	20.6343	20.7288	21.0020
Inspector-B	19.9199	20.0039	20.2245
Measurement & Regulation			
Inspector-AA (Upgrade Job Only)	23.2924	23.5970	23.9017
Inspector-A	22.3678	22.6830	22.9246
Inspector-B	20.6343	20.7288	21.0020
Meter Reader	19.9199	20.0039	20.2245
Meter Reader*	17.3353	18.3019	19.2580
Regulator Inspector-AA (Upgrade Job Only)	23.2188	23.5445	23.8282
Regulator Inspector-A	22.3048	22.6200	22.8616
Street Service-A	21.2226	21.3487	21.6114
Street Service-B	19.9199	20.0039	20.2245
Street Service-C	19.3525	19.5311	19.6362
Truck Driver	19.9199	20.0039	20.2245
Truck Driver Heavy	20.6343	20.7288	21.0020
Utility-A	18.4070	18.5225	18.7116
Utility-B**	17.1987	17.3143	17.3984
Warehouse	20.2140	20.2876	20.4662
Warehouseman	19.9304	20.0144	20.2245
Welder-A	21.2647	21.4958	21.7900
Welder-AA	22.2417	22.5674	22.7986
Welder-AAA	23.2924	23.6075	23.9017
Welder-B	20.6343	20.7288	21.0020
Welder-C	20.3506	20.6028	20.7814

*Rates to be paid to employees entering the Meter Reader Classification on or after December 1, 1984
**Utility-B is automatically promoted to Utility-A upon completion of one year's service with the Company

ADDENDUM A (continued)

COLUMBIA GAS OF KENTUCKY. INC. and COLUMBIA GAS OF OHIO, INC

The following schedule of wages shall apply to the following classifications for the respective periods set forth below:

SCHEDULE 3 --- EFFECTIVE DECEMBER 1, 2003

Classification	Minimum Beginning Or Replace-ment Rate	Six-Month Rate	Twelve-Month Rate
Building Maintenance Operator	22 1086	22.3467	22.6497
Carpenter (Upgrade Job Only)	20 8424	20.9399	21.2103
Construction & Regulator Operator	23 1150	23 4504	23 6885
Customer Service-A	22 1086	22 3467	22.6497
Customer Service-B	21 4593	21 5567	21 8381
Customer Service-Sr	24 1971	24.5109	24 8248
Dispatcher-A	21 6000	21 6866	21 9787
Dispatcher-B	20 7234	20.8100	21.0373
General Utility-A	23 1150	23 4504	23.6885
General Utility-B	21 4593	21 5567	21 8381
Heavy Equipment Operator	22 1086	22 3467	22.6497
Inspector-A	21.4593	21 5567	21.8381
Inspector-B	20 7234	20 8100	21 0373
Measurement & Regulation			
Inspector-AA (Upgrade Job Only)	24 1971	24 5109	24.8248
Inspector-A	23 2448	23 5695	23.8184
Inspector-B	21 4593	21 5567	21.8381
Meter Reader	20 7234	20 8100	21 0373
Meter Reader*	18 0614	19 0569	20 0417
Regulator Inspector-AA			
(Upgrade Job Only)	24 1214	24 4568	24.7490
Regulator Inspector-A	23 1799	23 5046	23.7534
Street Service-A	22.0652	22 1951	22 4657
Street Service-B	20 7234	20 8100	21.0373
Street Service-C	20.1391	20 3231	20 4313
Truck Driver	20 7234	20 8100	21 0373
Truck Driver Heavy	21 4593	21 5567	21 8381
Utility-A	19 1652	19 2842	19 4790
Utility-B**	17 9207	18 0397	18 1263
Warehouse	20 8204	20 8962	21 0802
Warehouseman	20 7343	20 8208	21 0373
Welder-A	22.1086	22 3467	22 6497
Welder-AA	23 1150	23 4504	23 6885
Welder-AAA	24 1971	24 5218	24 8248
Welder-B	21 4593	21 5567	21 8381
Welder-C	20 9611	21 2208	21 4048

*Rates to be paid to employees entering the Meter Reader Classification on or after December 1, 1984

**Utility-B is automatically promoted to Utility-A upon completion of one year's service with the Company

ADDENDUM A (continued)

COLUMBIA GAS OF KENTUCKY INC and COLUMBIA GAS OF OHIO, INC

The following schedule of wages shall apply to the following classifications for the respective periods set forth below:

SCHEDULE 4 --- EFFECTIVE DECEMBER 1, 2004

Classification	Minimum Beginning Or Replace-ment Rate	Six-Month Rate	Twelve-Month Rate
Building Maintenance Operator	22 9263	23 1716	23 4837
Carpenter (Upgrade Job Only)	21 6221	21 7225	22 0011
Construction & Regulator Operator	23 9629	24.3085	24 5537
Customer Service-A	22 9263	23 1716	23 4837
Customer Service-B	22 2576	22.3579	22 6477
Customer Service-Sr	25 0775	25.4008	25 7240
Dispatcher-A	22 4025	22 4917	22 7926
Dispatcher-B	21 4996	21 5888	21.8229
General Utility-A	23 9629	24 3085	24 5537
General Utility-B	22.2576	22 3579	22.6477
Heavy Equipment Operator	22.9263	23 1716	23 4837
Inspector-A	22 2576	22.3579	22 6477
Inspector-B	21 4996	21.5888	21 8229
Measurement & Regulation			
Inspector-AA (Upgrade Job Only)	25 0775	25.4008	25 7240
Inspector-A	24 0967	24 4311	24 6874
Inspector-B	22 2576	22 3579	22 6477
Meter Reader	21.4996	21 5888	21.8229
Meter Reader*	18.7577	19.7832	20 7974
Regulator Inspector-AA			
(Upgrade Job Only)	24 9995	25.3450	25.6460
Regulator Inspector-A	24 0298	24 3642	24 6206
Street Service-A	22 8816	23.0154	23 2941
Street Service-B	21 4996	21.5888	21 8229
Street Service-C	20 8978	21 0872	21 1987
Truck Driver	21 4996	21 5888	21 8229
Truck Driver Heavy	22 2576	22 3579	22 6477
Utility-A	19 8946	20 0172	20.2178
Utility-B**	18.6128	18 7354	18 8246
Warehouse	21 4451	21.5231	21 7126
Warehouseman	21 5108	21 6000	21 8229
Welder-A	22 9263	23.1716	23 4837
Welder-AA	23 9629	24 3085	24 5537
Welder-AAA	25 0775	25.4119	25 7240
Welder-B	22 2576	22.3579	22.6477
Welder-C	21 5900	21 8575	22 0469

*Rates to be paid to employees entering the Meter Reader Classification on or after December 1, 1984

**Utility-B is automatically promoted to Utility-A upon completion of one year's service with the Company

ADDENDUM A (continued)

COLUMBIA GAS OF KENTUCKY, INC. and COLUMBIA GAS OF OHIO, INC.

The following schedule of wages shall apply to the following classifications for the respective periods set forth below:

SCHEDULE 5 — EFFECTIVE DECEMBER 1, 2005

Classification	Minimum Beginning Or Replacement Rate	Six-Month Rate	Twelve-Month Rate
Building Maintenance Operator	23.6533	23.9046	24.2245
Carpenter (Upgrade Job Only)	22.3164	22.4193	22.7048
Construction & Regulator Operator	24.7158	25.0699	25.3213
Customer Service-A	23.6533	23.9046	24.2245
Customer Service-B	22.9678	23.0706	23.3676
Customer Service-Sr.	25.8582	26.1895	26.5209
Dispatcher-A	23.1163	23.2077	23.5162
Dispatcher-B	22.1909	22.2823	22.5222
General Utility-A	24.7158	25.0699	25.3213
General Utility-B	22.9678	23.0706	23.3676
Heavy Equipment Operator	23.6533	23.9046	24.2245
Inspector-A	22.9678	23.0706	23.3676
Inspector-B	22.1909	22.2823	22.5222
Measurement & Regulation			
Inspector-AA (Upgrade Job Only)	25.8582	26.1895	26.5209
Inspector-A	24.8529	25.1956	25.4584
Inspector-B	22.9678	23.0706	23.3676
Meter Reader	22.1909	22.2823	22.5222
Meter Reader*	19.3804	20.4315	21.4711
Regulator Inspector-AA (Upgrade Job Only)	25.7783	26.1324	26.4409
Regulator Inspector-A	24.7843	25.1270	25.3898
Street Service-A	23.0447	23.1784	23.4571
Street Service-B	22.1909	22.2823	22.5222
Street Service-C	21.5740	21.7682	21.8824
Truck Driver	22.1909	22.2823	22.5222
Truck Driver Heavy	22.9678	23.0706	23.3676
Utility-A	20.5457	20.6714	20.8770
Utility-B**	19.2319	19.3576	19.4490
Warehouse	21.9812	22.0612	22.2554
Warehouseman	22.2023	22.2937	22.5222
Welder-A	23.6533	23.9046	24.2245
Welder-AA	24.7158	25.0699	25.3213
Welder-AAA	25.8582	26.2010	26.5209
Welder-B	22.9678	23.0706	23.3676
Welder-C	22.1297	22.4039	22.5981

*Rates to be paid to employees entering the Meter Reader Classification on or after December 1, 1984

**Utility-B is automatically promoted to Utility-A upon completion of one year's service with the Company

ADDENDUM B

The term "shift" within the meaning of this Agreement applies to operations wherein there is a change of one set of employees, that is, one or more employees, for another in order to maintain operations on a continuous or nearly continuous basis for at least three (3) or more consecutive days. A shift worker is an employee assigned to a shift for the above stated purpose.

The term "day shift" means that shift worked during the daytime, normally beginning at 8:00 A.M., and ending at 4:00 P.M. The term "evening shift" refers to the shift immediately following the day shift, normally beginning at 4:00 P.M., and ending at midnight. The term "morning shift" refers to the shift immediately preceding the day shift, normally beginning at midnight and ending at 8:00 A.M.

There shall be paid a shift premium of differential to shift workers working on shifts other than the day shift as follows:

Effective December 1, 2001:

Evening Shift	$1.15 per hour
Morning Shift	$1.40 per hour

ADDENDUM C

Employees in a compressor station and an extraction plant shall receive 10¢ per hour over and above their classified rate of pay at any time while actively and actually engaged in cleaning fire tube or water tube steam boilers of the types certified in 1960 by the Company's insurance carrier.

When an employee is assigned to perform scuba diving duties, he shall be paid at the following rate:

Effective December 1, 1999	$30.00 per hour

These rates will not be applicable during periods of training and/or practice sessions.

When an employee operates a heavy duty, rubber tired, tractor type mower on pipeline rights of way, said employee will receive the 12 month rate in Job Grade 6.

A Communication Repairman B will receive the Communication Repair man A's 12 month rate of pay while performing maintenance and repair work while on the tower.

ADDENDUM D

Clothing Allowance

In lieu of the Wearing Apparel Items under Article XX, the Trans-mission and CNR Companies will pay a clothing allowance of $200 annually during the month of December to eligible employees.

Non-Destructive Testing

Employees qualified to perform nondestructive testing procedures utilizing Magnaflux or Dye penetrant will be upgraded to 12 month rate of Job Grade 6 when performing such duties.

Employees qualified to perform nondestructive testing procedures utilizing Ultrasonic will be upgraded to the 12 month rate of Job Grade 8 when performing such duties.

COLUMBIA GAS TRANSMISSION CORPORATION
COLUMBIA NATURAL RESOURCES, INC.
COLUMBIA GAS OF KENTUCKY, INC.
COLUMBIA GAS OF OHIO, INC.
AND
PAPER, ALLIED-INDUSTRIAL, CHEMICAL, AND ENERGY WORKERS
INTERNATIONAL UNION LOCALS 5-0372 AND 5-0628

LETTER OF AGREEMENT

It is understood that the following will be applicable during the term of the present labor agreement executed December 1, 2001. Upon expiration of said agreement, the following are terminated:

1. Requests for Transfer and Bargaining Unit Wide Job Postings

   The Company agrees to send the Union copies of all Requests for Transfer and all bargaining unit wide notices on Job Posting and Bidding that apply to Local 5-0372 and 5-0628.

2. Censure Reports

   As a policy, censure reports are reviewed periodically by each supervisor to determine if the censure is still applicable to its original intent. Those not pertinent are destroyed.

To assure each employee concerned that the above procedure is followed, the Company will, beginning January 1, 1995, request each supervisor to review all censures on file and destroy those no longer deemed relevant. Censures still deemed material will be reviewed annually and treated as stated above. Affected employees will be notified when their censure is destroyed.

3. Utility Classification Vacancy Notices

Although Article XXV (Job Posting and Bidding) of the Agreement does not require the posting of a permanent Utility vacancy, the Company will give notice of available Utility job vacancies within the Area/ Region/District in which the vacancy exists to insure that all employees are aware of these openings and can make their interests known and are given equal opportunity for advancement.

4. The Arbitration Opinion and Award issued by Marlin M. Volz in Grievance No. 12 74 on June 7, 1977, will be controlling on the parties insofar as the proper interpretation of the requirements of Article XVIII, Section 8.

While reference must be made to the full Arbitration Opinion, including the Award, for purposes of adhering to the determination of Mr. Volz for future disputes under Article XVIII, Section 8, the parties agree to the following:

Employee will be afforded opportunity to work overtime equal to the hours and rate of pay for which the employee was incorrectly deprived after the employee has selected three (3) dates within a one week period for each eight (8) hours of remedial overtime.

5. Columbia Gas of Kentucky, Inc. and Columbia Gas of Ohio, Inc. - Meter Reader Reimbursement for Personal Mileage

Effective December 1, 1997, the Company agrees to the following method of reimbursement for Meter Readers who are required to use their personal cars on Company Meter Reading assignments:

A. For assignments that begin one half mile or less from the Meter Reading reporting location, no allowance will be paid.

B. For assignments that begin over one half mile from the reporting location, $4.73, per day will be paid plus an allowance equal to the Internal Revenue Service rate applicable for the period for mileage in excess of 15 miles.

NOTE: Mileage will be determined on the basis of miles driven from the reporting point to the start of the Meter Reading assignment, and for one trip through the Meter Reading book back to the reporting point.

6. Utility Progressions

A. Columbia Gas Transmission Corporation
Columbia Natural Resources, Inc.

Those qualified employees having twenty four (24) months of service in the Utility classification will be upgraded to the beginning rate of the Roustabout B classification.

B. Columbia Gas of Kentucky, Inc. and Columbia Gas of Ohio, Inc.

Those qualified employees having twenty four (24) months of service in the Utility classification will be upgraded to the beginning rate of the Street Service C classification.

NOTE: Those individuals in progression for Roustabout B or Street Service C classifications are not eligible to bid on any posted Roustabout B or Street Service C or B vacancy.

7. Notwithstanding the provisions of the Labor Agreement, it is understood by the parties to this Agreement that an employee in Columbia Gas Transmission Corporation or Columbia Natural Resources, Inc., having twenty four (24) months or more in the Utility progression will, when transferring to Columbia Gas of Kentucky, Inc., or Columbia Gas of Ohio, Inc., enter the Utility A classification at the

maximum rate and will, if qualified, progress to the minimum rate of Street Service C in twelve (12) months.

8. Article XVIII, Section 2 - Sunday Premium for Shift Workers

Although Section 2 of Article XVIII does not require the payment of the Sunday Premium (double time) to shift workers, the Parties agree that the Sunday Premium would be applicable to shift workers under the following:

A. Double time will now be paid to nonscheduled shift workers who are called out to work on Sunday. In addition to the Sunday Premium, the employees will also receive the applicable shift differential.

B. A shift worker required to work a double shift on Sunday will be (1) paid his regular rate and the applicable shift differential while working his regularly scheduled shift, and (2) will be paid double time plus the applicable shift differential while working on the second shift on Sunday. [(2) modifies Section 6 of Article XVIII only to the extent of the rate of pay to be paid on the double shift on Sunday.]

C. A shift worker scheduled to work on Sunday will receive his regular rate of pay and the applicable shift differential. To further clarify the Parties' interpretation of the above, if any employee's scheduled shift or his regular day off is changed any time prior to a Sunday, the Section 5 of Article XVIII is applicable and not Section 2, since the employee would have received prior notice and have been scheduled to work on that Sunday. If an employee's scheduled shift or his regular day off is changed on a Sunday, then the employee would receive the appropriate compensation from either Section 2 or from Section 5 of Article XVIII, whichever is the higher, but not both. Of course, any other condition or qualification contained in Sections 2 and 5 must be considered in determining the appropriate rate of compensation.

9. PACE-COPE Checkoff

The Company agrees to deduct from the wages of those employees who are members of the Union and who voluntarily authorize such deductions on forms provided by the Union, the amount specified as the employees' con-tributions to the PAPER, ALLIED-INDUSTRIAL, CHEMICAL, AND ENERGY WORKERS INTERNATIONAL UNION Committee on Political Education Fund (PACE-COPE).

The Company also agrees to transmit said payroll deductions immediately to the Financial Secretary of

Local 5-0628 or to the Secretary-Treasurer of Local 5-0372, whichever is applicable, together with a list of the names of employees for whom the deductions have been made and the amount deducted for each such employee.

The amount and timing of such payroll deductions and the transmittal of such voluntary contributions shall be as specified in such forms and in conformance with any applicable state or federal statute.

The Union agrees to reimburse the Company for the full costs incurred in making the PACE-COPE payroll deductions, which costs will be deducted from employee contributions before transmittal to the Secretary-Treasurer of Local 5-0372 or to the Financial Secretary of Local 5-0628.

The signing of such PACE-COPE checkoff form and the making of such voluntary annual contributions are not conditions of membership in the Union or of employment with the Company.

The Union shall indemnify and save the Company harmless against any and all claims, demands, suits, or other form of liability that shall arise out of or by reason of action taken or not taken by the Company for the purpose of complying with any of the provisions of this Agreement.

10. Columbia Gas of Kentucky, Inc. and Columbia Gas of Ohio, Inc. - Service Work Training Requirement

All classifications that require Service Work (Customer Service B and General Utility A) in the job description for the classification will be required to successfully complete the Customer Service training program. One year following completion of the Customer Service training program the employee will be given a mandatory skills review qualification test. A grade of 80% must be achieved on the skills review qualification test to pass the qualification test.

In the event that an employee fails the required test, he will be given the opportunity to remain in his classification for an additional six (6) months, at which time he will be given another test.

If an employee fails the second test, then he will be placed in a job, if available, for which he is qualified and able to perform.

Employees that hold classifications that do not require Service Work in their job description but voluntarily accept Customer Service training when available, will be required to take a skills review qualification test one (1) year following completion of the Customer Service training. A grade of 80% must be achieved on the skills review qualification test to pass the qualification test.

In the event that an employee fails the required test, he will be given the opportunity to take a second test six (6) months following the date of the first test.

An employee that has voluntarily taken service training that fails the second test will no longer be qualified to perform service work.

An employee that has voluntarily taken service training that has successfully completed the training and has passed the skills review qualification will receive upgrade pay when applicable at the appropriate Customer Service A rate when performing service work.

CLASSIFICATIONS

Customer Service-B

This will be the entry level job for new Customer Service employees; the employees will be required to remain in this classification until they have successfully completed all the requirements of the Service Training Program and the mandatory skills review qualification test.

Current Customer Service C employees with two (2) or more years of service may progress to the Customer Service A classification by requesting and passing the test. If the current employees do not pass the test, or choose not to take the test, then they will remain Customer Service B's for as long as they are in the Service Department or until they pass the test.

Customer Service-A

This classification provides for progression of an employee who has successfully completed the Customer Service Training program and passed the skills review qualification test. An employee serving in this classification for a period of five (5) years may then request to be tested for progression to the Customer Service Senior classification. This test is voluntary.

If an employee elects to take the test, and he fails, then he may not take the test for a period of one (1) year.

Current Customer Service B employees with five (5) or more years of ser-vice may progress to the Customer Service Senior classification by requesting and passing the test.

Customer Service Senior

This classification provides for progression of Customer Service A employees who have satisfactorily performed the duties of Customer Service A for a period of five (5) years or more and who have passed the qualification requirements for progression to this classification.

GENERAL INFORMATION

1. The wage structure for the three (3) classifications remain the same as the current wage structure.

2. Current employees in the Service Department are "grandfathered." They will not be required to progress to the Customer Service A classification or Customer Service Senior classification. Additionally, should a current employee elect to take the qualification test and fail, he may remain in his classification. However, the applicable time periods mentioned with regard to retesting will be followed.

3. The guidelines below regarding the Service Department qualification tests for progression are to be followed in order to establish uniformity and consistency within the program. These guidelines have been developed in response to questions concerning present Service Department employees in the entry level classifications, and new Service Department employees who may have had previous experience as Servicemen.

   A. Present Servicemen in the entry level classifications who have seven or more years' experience in those classifications may request to take a qualification test for either the new Customer Service A or Senior classification.

(1) If the employee requests to take the test for Customer Service Senior and he passes, then he will be classified as a Customer Service Senior.

(2) If the employee fails the Senior test, then he may take the test for Customer Service A. If he passes the Customer Service A test, then he will be classified as a Customer Service A. He will then be required to complete five years of service within that classification before he may take the senior test.

(3) If the employee fails the A classification test, then he must wait six months before he can be retested. If he fails the test a second time, then he must wait one year before he will be retested.

B. New Service Department employees who have two or more years' previous experience in the Service Department may request to take the test for progression to Customer Service A only. If he passes the A test, then he will be classified as a Customer Service A. He will then be required to complete five years of service within that classification before he may take the Senior test. If the employee fails the A classification test, then he must complete two years of service in the Customer Service B classification before he can take the A test. At this point, the procedures outlined in the original program become effective.

8. Service Department job postings in the future will be as follows:

"Customer Service-B - Customer Service-A"

11. Columbia Gas of Kentucky, Inc. and Columbia Gas of Ohio, Inc., Work Schedules:

A. Flexible Work Hour Schedule
The Company will offer a limited number of four (4) ten hour work day schedules. These schedules will be Monday through Thursday or Tuesday through Friday

schedules. During such a ten (10) hour schedule premium pay and shift differential , if applicable, will begin after ten (10) hours of work on a scheduled ten (10) hour day and for any time worked in excess of 40 hours in one week. If an employee is scheduled to work on any day of rest except for Sunday, he/she will be paid at the rate of time and one half. All work performed on Sunday shall be paid for at the rate of double time unless it is part of the employee's normal work schedule.

The four (4) ten (10) hour schedules will be offered on a voluntary basis and either party can opt out of this schedule with a two week notice to the opposite party. If there are more employees who volunteer for the four (4) ten (10) hour schedules than available schedules, the Company will staff the schedules by work location on a qualified senior basis.

Sick Leave, Vacation, Personal Holidays
An employee who misses work due to illness, vacation or personal holiday, will be charged for all hours of scheduled work missed (i.e., ten (10) hours of short-term disability for one (1) ten (10) hour day of absence).

Company Holidays
If the holiday falls on a day off - Employee will be given a day off in lieu of the holiday during the same week the holiday occurs. Eight (8) hours will be charged to holiday. The employee can work two extra hours during that week, but such two hours will be at straight pay. The two extra hours to be determined by the Company, (or use personal holiday or vacation to make up the two hours or as an alternative, an employee may revert to a standard eight (8) hour day, for a five (5) consecutive day work week at any time with approval of his/her immediate supervisor).

If the holiday falls on a regularly scheduled day of work - Employee is charged with eight (8) hours of holiday and will make up the two hours needed during that work week at straight time pay. The two extra hours to be determined by the Company, (or use personal or vacation to make up the two hours, or as an alternative, an employee may revert to a standard eight (8) hour day, for a five (5) day work week at any time with approval of his/her immediate supervisor). If two holidays occur in any one week, the employee's regular work schedule will revert to a standard eight (8) hour day for a five (5) consecutive day work week.

and are subject to all the provisions of the Agreement, provided however, if an employee who is covered by the Agreement is declared "surplus" (see Article XXV, Section 2) and accepts a position with a Columbia company at a work location not covered by the Agreement, such employee will no longer accumulate, but will retain, the seniority he achieved while in the bargaining unit, IF the employee returns to a position covered by the Agreement on the first opportunity given to him. No regular employee shall be demoted when an employee returns to the bargaining unit under this provision.

13. Upgrading

In recognition of the Company's need to maintain efficient operations and achieve a diversified skilled workforce, when upgrading is required, within the Basic Seniority Unit, consideration will be given to the available qualified Senior employee at the work location involved.

It is understood that the above is not applicable to any other provisions of the Agreement.

14. Automation & Electrical Mechanic Progression

Individuals in the Automation & Electrical Mechanic-B (A&E) classification will progress to Automation & Electrical Mechanic-A classification upon becoming

fully qualified to perform all the duties of the Automation & Electrical-A classification. The initial postings will be for Automation & Electrical Mechanic-B position and then a progression to the Automation & Electrical Mechanic A-position.

15. Pagers

Issuance of pagers will be on a voluntary basis and the employee with the pager has an obligation to call back when the pager goes off. It is mutually understood by both parties that reasonable cooperation is expected.

Future situations should be resolved under this understanding.

16. Seasonal Work Hours

Seasonal work hours, during Daylight Savings Time, will continue on a voluntary basis by each work location or region. Each work location or region will be offered the opportunity to decide by a two-thirds vote of that location or region whether to accept a Seasonal Work Hours schedule proposed by the Company.

17. Columbia Gas of Kentucky, Inc., Jurisdictional Areas

It is agreed that following ratification of the collective bargaining agreement, Article XXIII Travel and Expenses, "jurisdictional areas" shall be defined as:

Ashland Operating Area
East Point Operating Area
Winchester Operating Area (including the old Paris/Cynthiana Operating Areas and Richmond)
Maysville Operating Area
Lexington Operating Area (including Georgetown)
Frankfort Operating Area (including Versailles and Midway)

18. Columbia Gas Transmission, Inc., Construction Crew Seniority

Employees in the Construction Crew will only hold Basic Seniority Unit seniority either in the St. Albans Pipelines Basic Seniority Unit or in the Clendenin Pipelines Basic Seniority Unit. Any job posting for a position within the Construction Crew will first be posted in the St. Albans Pipelines and Clendenin Pipelines Basic Seniority Units as a Basic Seniority Unit posting. The job will be awarded on the basis of the criteria listed in Article VII, Section 3 except Company seniority, rather than Basic Seniority Unit seniority, will control. If there are no qualified bidders for such a posting, the position will be filled in accordance with the remaining provisions of Article XXV. In the event the position is awarded through a Request for Transfer or a Bargaining Unit wide posting, the successful candidate will enter the St. Albans Pipelines Basic Seniority Unit unless that candidate is coming from a position within the Clendenin Pipelines, Clendenin Compressor, Strasburg Pipelines or Strasburg Compressor Basic Seniority Units. In the

event the position is awarded through a Request for Transfer or a Bargaining Unit wide posting to a candidate coming from the Clendenin Pipelines Basic Seniority Unit, that candidate will retain his Clendenin Pipelines Basic Seniority Unit seniority. In the event the position is awarded through a Request for Transfer or a Bargaining Unit wide posting to a candidate coming from the Strasburg Pipelines, Strasburg Compressor or Clendenin Compressor Basic Seniority Unit, that candidate will enter the Clendenin Pipelines Basic Seniority Unit.

19. Successorship

This Memorandum of Agreement is entered into between Columbia Gas Transmission Corporation, Columbia Natural Resources, Inc., Columbia Gas of Kentucky, Inc., and Columbia Gas of Ohio, Inc. (hereinafter the "Company") and Paper, Allied-Industrial, Chemical & Energy Workers International Union Locals 5-0372 and 5-0628 (hereinafter the "Union"), this 21st day of September 2002, as a supplement to the Labor Agreement to define how affected members of the bargaining unit will be treated in the event there is a sale of the stock of the Company or a divestiture of substantially all of the assets of the Company.

Further, this Memorandum of Agreement sets forth the principles to establish a new and progressive relationship between the parties. The relationship will establish a positive partnership, embedded in trust, mutual respect, and a common interest in quality workmanship and superior customer service to our customers.

1. This Memorandum of Agreement applies in the event of (1) a sale of the Company's stock, or (2) a merger, divestiture, sale, transfer, or swap of substantially all of the Company assets that results in the termination of the Company's employment of members of the bargaining unit (hereinafter, a "Covered Transaction").

2. This Memorandum of Agreement shall be binding upon the Company regardless of whether it changes its name, corporate identity, organization, legal status, or management.

3. The Company agrees to make assumption of the Labor Agreement and assumption of this Memorandum of Agreement a condition of any Covered Transaction, and shall provide the Union with copies of those documents that are necessary to demonstrate compliance with this Memorandum of Agreement. The Company agrees to provide the Union notice of a contemplated Covered Transaction a reasonable period of time prior to the closing of any such Covered Transaction.

4. Upon transfer of the assets pursuant to a Covered Transaction, the Company is relieved of obligations and liabilities under the Labor Agreement or otherwise to all affected bargaining unit employees

who become employees of the Buyer.

5. During the term of the Labor Agreement, the Union will support and not oppose or in any way support or encourage opposition to the Company's position before regulatory or administrative agencies, in legislatures, or in court regarding any rate proceedings or any Covered Transaction announced, begun, or pending during the term of the Labor Agreement.

6. The Union will support the Company's efforts to obtain approval from any applicable regulatory agency for recovery of its stranded costs and will support the Company's position that the stranded costs it has identified as reasonable in the amount and fully recoverable from customers.

7. This Memorandum of Agreement will terminate on the termination date of the Labor Agreement.

Public Service Commission Data Request Set 1
Question No. **47**
Columbia Gas of Kentucky Respondent: June Konold

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JANAURY 25, 2007

Question No. 47

Provide complete details of the financial reporting and rate-making treatment of Columbia's pension costs.

Response of Columbia Gas of Kentucky:

Columbia's pension costs are recorded on the accrual basis of accounting each month in accordance with the Statement of Financial Accounting Standards (SFAS) No. 87, Employers' Accounting for Pensions. The following are the entries utilized when recording pension costs:

1. Pension costs per actuarial studies are expensed each month. The offset account is a prepaid if Columbia is in a prepaid position, otherwise the offset is a liability account.

   Debit 926
   Credit 165-0031 or 242-0031

2. The Retirement Income Plan trust is funded through Nisource Corporate Services. The following entry is recorded when the trust is funded:

   Debit 165-0031 or 242-0031
   Credit 234-9912
   Debit 234-9912
   Credit 131 (Cash or its equivalent)

3. All costs associated with construction projects are capitalized and recovered over the life of the asset. This includes, among other costs, labor and related benefits. As employees' labor time is charged to capital accounts, overheads are used to charge additional dollars to the capital accounts for pension costs:

   Debit 107 (or any other capital account)
   Credit 926

4. When Columbia bills an affiliate company for labor, overheads are also added on to the bill for pension costs. The entry is the same as in #3 above with the debit going to a 146 Accounts Receivable account.

5. In a similar fashion, labor billed by an affiliate includes pension costs in overheads. The entry would be as follows:

   Debit 926
   Credit 234 – Accounts Payable

APPROVED

FOR THE COMPANIES:

Carolyn Jevelle

Jovette Pino

Lori Johnson

FOR THE UNION:

Larry Williamson

Charles V. Armstead

John Knauff

DATE: December 1, 2001

INDEX

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JANUARY 25, 2007

Question No. 46

Provide a detailed analysis of all benefits provided to the employees of Columbia. For each benefit include:

a. The number of employees covered at test-year end.
b. The test-year actual cost.
c. The amount of the test-year actual cost capitalized and expensed.
d. The average annual cost per employee.

Response of Columbia Gas of Kentucky:

Please see PSC0046 Attachment.

Columbia Gas of Kentucky, Inc.
Rate Case No. 2007-00008
Employee Benefits Analysis
For the Twelve Months Ended September 30, 2006

Line No.	Benefit Description	Actual Cost	Capitalized	Expensed	Avg. Annual Cost per Employee *
		$	$	$	$
1	Pensions and Retirement Income				
2	Retirement Income Plan	(90,204)	(37,166)	(127,370)	(673)
3	Employee's Insurance Plans				
4	Group Life Insurance	(253)	77	(176)	(2)
5	Comp Medical Insurance and EAP	1,197,546	(363,216)	834,330	8,937
6	Long Term Disablity	35,313	(10,710)	24,603	264
7	Dental Assistance	119,940	(36,378)	83,562	895
8	Total Employee Insurance Plans	1,352,546	(410,227)	942,319	10,094
9	Thrift Plan				
10	Thrift Plan	277,649	(64,880)	212,769	2,072
11	Total Benefit Expenses	1,539,991	(512,273)	1,027,718	11,492
12	OPEB				
13	OPEB	1,117,537	(154,299)	963,238	8,340
14	Gross Adjustment to Benefits	2,657,528	(666,572)	1,990,956	19,832

*Number of employees as of September 30, 2006: 134

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JAUANRY 25, 2007

Question No. 48

Provide complete details of Columbia's financial reporting and rate-making treatment of Statement of Financial Accounting Standard ("SFAS") No. 106, including:

a. The date that Columbia adopted SFAS No. 106.

b. All accounting entries made at the date of adoption.

c. All actuarial studies and other documents used to determine the level of SFAS No. 106 cost recorded by Columbia.

Response of Columbia Gas of Kentucky:

Columbia adopted SFAS No. 106 effective January 1, 1991. At adoption, the liability was recorded with an offsetting debit to a regulatory asset account. From adoption of the accounting standard until the 1994 stipulation was approved, Columbia continued to defer into the regulatory asset the portion of the SFAS No. 106 expense in excess of cash payments. Additionally, a portion of the Columbia of Ohio housekeeping transition obligation was deferred into the regulatory asset account. Per the stipulation agreement, the 1993 incremental costs were not part of the amortization, so those dollars were reversed out of the regulatory asset and charged to expense. The net effect on the balance sheet at the point the new rates went into effect is as follows:

		Debit	Credit
Debit	Regulatory Asset	$9,689,192	
	Credit OPEB Liabilities		$9,689,192

The balance is made up as follows:

Jan 1, 1991 obligation	$6,261,000
1991 incremental	538,000
1992 incremental	602,058
1994 incremental	550,328
COH Housekeeping	1,727,806
Total	$9,689,192

See PSC0048 Attachment for the actuarial reports for 1991, 1992, 1993 and 1994 and related schedules used to support the SFAS No. 106 recovery in the 1994 stipulation.

The Columbia Gas System, Inc.

Postretirement Welfare Plans

Actuarial Report for FAS 106 Purposes

as of January 1, 1991

March 1992

TPF&C

Table of Contents

I. Management Summary

The Columbia Gas System maintains health and life insurance plans for its current and future retirees. Prior to this year, Columbia accounted for these benefits as they were paid, making no expense accrual during an employee's working career.

Late in 1990, the Financial Accounting Standards Board issued its statement on accounting for postretirement welfare benefits. Beginning in 1993, FAS 106 requires expense recognition on a pension-type basis, i.e., spread over employees' working years. Columbia has chosen to adopt this accounting procedure earlier than required, i.e., on January 1, 1991.

This report presents the results of the January 1, 1991 actuarial valuation of Columbia's postretirement health and life insurance plans. The summaries include:

- The obligations under FAS 106 and the accounting cost determined under FAS 106
- The methods and assumptions used in the valuation
- A summary of the participant data used in the valuation
- A summary of the plan provisions

Results as of January 1, 1991

The 1991 actuarial valuation of Columbia's postretirement health and life insurance plans is based on the substantive plan as of January 1, 1991. Key results are summarized below with dollar amounts in thousands:

	Health	Life	Total
Recognition of transition obligation at adoption of FAS 106	$ 207,593	$ 16,313	$ 223,906
Periodic FAS 106 cost	28,331	2,023	30,354
Total cost for 1991	235,924	18,336	254,260
Periodic FAS 106 cost as a percent of payroll	7.4%*	0.5%	7.9%
Pay-as-you-go cost	$ 10,648	$ 2,300	$ 12,948
Percent of payroll	2.8%*	0.6%	3.4%
Accumulated postretirement benefit obligation (APBO)	$ 207,593	$ 54,180	$ 261,773
Number of employees			
Retired employees	5,352	4,653	N/A
Active employees	4,031**	11,109	N/A
Payroll	$ 382,514*	$ 382,514	$ 382,514

* Includes payroll for employees who have not yet started accruing benefits under the plan.

** 6,994 additional active employees have not yet started accruing benefits under the plan.

FAS 106 increases periodic accounting cost $17.4 million, or 4.5% of payroll. Since Columbia is not funding this amount currently, an additional postretirement benefit amount is accrued on the balance sheet. Details of the valuation results are shown in Tables 2 through 4. Actuarial assumptions and methods, a summary of participant data, and coverages valued are outlined in Tables 6, 7, and 8, respectively.

- About 42% of the periodic health cost is related to dependent coverage.
- The FAS 106 cost is sensitive to the level of assumed future health care cost increases, which is difficult to predict. The periodic health cost would increase by 12% if the projected rate of health care cost trend were 1% higher than the assumed rates.

The new rules for postretirement welfare benefits are accounting rules; there are no minimum funding requirements.

Sensitivity of Results

FAS 106 requires disclosure of the effect of a one-percentage-point increase in the assumed health care cost trend rates for each future year on:

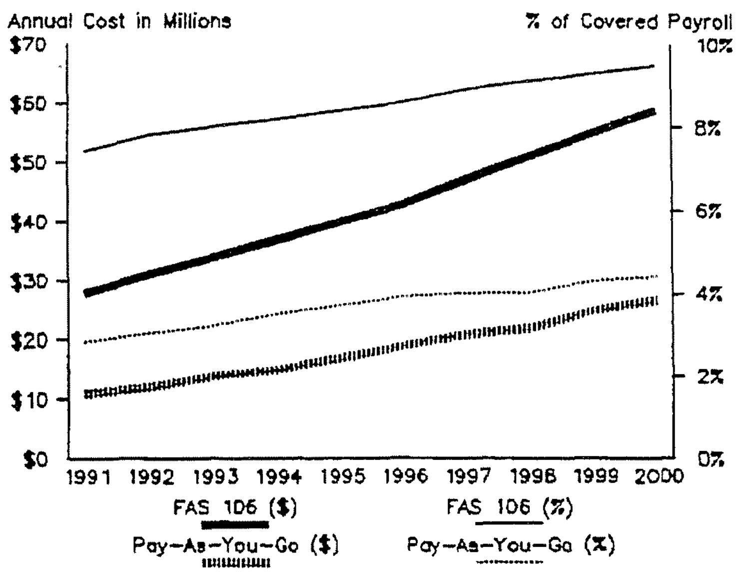
- The APBO
- The aggregate of the service and interest components of FAS 106 cost.

Keeping all other assumptions the same, a one-percentage-increase in trend increases the health care APBO from $207.6 to $225.1 million (8.4%) and the aggregate of the service and interest components of the health care FAS 106 cost increased by $3.3 million (11.5%). Table 5 presents details of the effect of a one-percentage-point increase in the health care trend. The percentage increases in the total postretirement APBO (6.7%) and in the aggregate of the service and interest components of the FAS 106 cost for all postretirement benefits (10.7%) are less since the postretirement life insurance obligations are not dependent on health care inflation.

The APBO and FAS 106 cost are sensitive to a number of other assumptions, including the discount rate and the ages at which employees are expected to retire.

Forecast (Medical Benefits)

Towers Perrin performed a ten-year forecast of results to compare FAS 106 periodic health care costs with expected pay-as-you-go costs. The following graph summarizes the forecast results. Note that the 1991 results are periodic costs only and do not reflect the transition obligation which was fully recognized during 1991, and that the projected costs are based on a presumption of no prefunding for medical benefits.



	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Annual Costs										
Pay-as-you-go	$11	$12	$14	$15	$17	$19	$21	$22	$25	$27
FAS 106	28	31	34	37	40	43	47	51	55	59
% of Payroll										
Pay-as-you-go	2.8%	3.0%	3.2%	3.5%	3.7%	3.9%	4.0%	4.0%	4.3%	4.4%
FAS 106	7.4	7.8	8.0	8.2	8.4	8.6	8.9	9.1	9.3	9.5

Although the 1991 FAS 106 cost is almost three times the pay-as-you-go cost, the pay-as-you-go cost increases faster than the FAS 106 cost over the ten-year period – 257% (from $10.6 million to $27.2 million) versus 209% (from $28.3 million to $59.1 million). The FAS 106 cost would grow at a much slower rate should the company initiate a program for prefunding the retiree medical benefit program.

The forecast applies the same actuarial assumptions with respect to salary increases, retirement rates, and changes in health care costs used to determine the 1991 FAS 87 cost. These assumptions are intended to have long-range validity; they do not necessarily represent what may be expected to happen over the next few years. We assumed that the work force will remain level over the next ten years.

II. Index of Tables

Table 1

Summary of Results as of January 1, 1991
(dollars in thousands)

	Health	Life	Total
FAS 106 Cost			
Recognition of transition obligation at adoption of FAS 106	$ 207,593	$ 16,313	$ 223,906
Periodic cost	28,331	2,023	30,354
Total cost	235,924	18,336	254,260
Periodic cost as percent of payroll	7.4%	0.5%	7.9%
Pay-as-you-go Cost	$ 10,648	$ 2,300	$ 12,948
Percent of payroll	2.8%	0.6%	3.4%
Accumulated Postretirement Benefit Obligation	$ 207,593	$ 54,180	$ 261,773
Expected Postretirement Benefit Obligation	458,582	65,592	524,174
Assets and Reserves			
Plan assets			
► Fair value	0	37,867	37,867
• Market-related value	0	37,867	37,867
Number of Employees			
Retired employees			
► Under 65	1,739	1,383	N/A
► Over 65	3,613	3,270	N/A
► Total	5,352	4,653**	N/A
Active employees			
► Fully eligible for benefits	1,397	1,652	N/A
► Other	2,634	9,457	N/A
► Total	4,031*	11,109	N/A
Total employees	9,383	15,762	N/A
Active Payroll	$ 382,514	$ 382,514	$ 382,514
Key Economic Assumptions			
Discount rate	8.0%	8.0%	8.0%
Average health care cost trend			
► first year	15.3%	N/A	15.3%
► ultimate	6.5%	N/A	6.5%
Salary increase	N/A	6.0%	6.0%
Return on plan assets	9.0%	9.0%	9.0%
Effective tax rate on plan assets	N/A	0%	N/A

* 6,994 additional active employees have not yet started accruing benefits under the plan.
** Retirees eligible for plan only.

Table 2

Summary of Health Plan Results as of January 1, 1991
(dollars in thousands)

	Medical	Part B Premium	Total Health
FAS 106 Cost			
Recognition of transition obligation at adoption of FAS 106	$ 162,724	$ 44,869	$ 207,593
Periodic cost	22,606	5,725	28,331
Total cost	185,330	50,594	235,924
Periodic cost as percent of payroll	5.9%	1.5%	7.4%
Pay-as-you-go Cost	$ 9,420	$ 1,228	$ 10,648
Percent of payroll	2.5%	0.3%	2.8%
Accumulated Postretirement Benefit Obligation	$ 162,724	$ 44,869	$ 207,593
Expected Postretirement Benefit Obligation	372,579	86,003	458,582
Assets and Reserves			
Plan assets			
▸ Fair value	0	0	0
▸ Market-related value	0	0	0
Number of Employees			
Retired employees			
▸ Under 65	1,557	1,739	1,739
▸ Over 65	1,712	3,613	3,613
▸ Total	3,269	5,352	5,352
Active employees			
▸ Fully eligible for benefits	1,397	1,397	1,397
▸ Other	2,634	2,634	2,634
▸ Total	4,031	4,031	4,031
Total employees	7,300	9,383	9,383
Active Payroll	$ 382,514	$ 382,514	$ 382,514
Key Economic Assumptions			
Discount rate	8.0%	8.0%	8.0%
Average health care cost trend			
▸ first year	16.4%	11.5%	15.3%
▸ ultimate	6.5%	6.5%	6.5%
Salary increase	N/A	N/A	N/A
Return on plan assets	9.0%	9.0%	9.0%
Effective tax rate on plan assets	N/A	N/A	N/A

Table 3

FAS 106 Cost as of January 1, 1991
(dollars in thousands)

	Health	Life	Total
FAS 106 Cost			
Service cost	$ 11,242	$ 1,005	$ 12,247
Interest cost	17,089	4,325	21,414
Expected return on plan assets	0	3,307	3,307
Amortization of			
• Transition obligation (asset)	0	0	0
▸ Prior service cost	0	0	0
▸ Losses (gains)	0	0	0
▸ Total amortization	0	0	0
Total FAS 106 periodic cost	28,331	2,023	30,354
▸ Percent of payroll	7.4%	0.5%	7.9%
▸ Per active employee	$ 7,028	$ 182	$ 7,210
Transition obligation recognized at adoption of FAS 106	207,593	16,313	223,906

	Medical	Part B Premium	Total Health
FAS 106 Cost for Health Plans			
Service cost	$ 9,220	$ 2,022	$ 11,242
Interest cost	13,386	3,703	17,089
Expected return on plan assets	0	0	0
Amortization of			
▸ Transition obligation (asset)	0	0	0
▸ Prior service cost	0	0	0
▸ Losses (gains)	0	0	0
▸ Total amortization	0	0	0
Total FAS 106 periodic cost	22,606	5,725	28,331
▸ Percent of payroll	5.9%	1.5%	7.4%
▸ Per active employee	$ 5,608	$ 1,420	$ 7,028
Transition obligation recognized at adoption of FAS 106	162,724	44,869	207,593

Table 4

FAS 106 Obligations
(dollars in thousands)

	Health	Life	Total
Accumulated Postretirement Benefit Obligation (APBO)			
In payment			
▸ Retired employees	$ 65,901	$ 33,182	$ 99,083
▸ Dependents and surviving spouses	47,665	0	47,665
• Total	113,566	33,182	146,748
Active employees fully eligible for benefits			
▸ Employees	27,242	10,695	37,937
▸ Dependents	21,216	0	21,216
• Total	48,458	10,695	59,153
Other active employees			
▸ Employees	25,963	10,303	36,266
▸ Dependents	19,606	0	19,606
▸ Total	45,569	10,303	55,872
Total APBO			
▸ Employees and retirees	119,106	54,180	173,286
▸ Dependents and surviving spouses	88,487	0	88,487
▸ Total	207,593	54,180	261,773
Additional Obligation for Future Service			
Other active employees			
▸ Employees	149,549	11,412	160,961
▸ Dependents	101,441	0	101,441
▸ Total	250,990	11,412	262,402
Expected Postretirement Benefit Obligation			
▸ Employees	268,655	65,592	334,247
▸ Dependents	189,928	0	189,928
▸ Total	458,583	65,592	524,175

Table 5

Accounting Information as of January 1, 1991
(dollars in thousands)

	Health	Life	Total
Reconciliation of Funded Status*			
Accumulated postretirement benefit obligation (APBO)			
► Retired employees	$(113,566)	$(33,182)	$(146,748)
► Active employees fully eligible for benefit	(48,458)	(10,695)	(59,153)
► Other active employees	(45,569)	(10,303)	(55,872)
► Total	(207,593)	(54,180)	(261,773)
Fair value of assets	0	37,867	37,867
Fair value of assets in excess (less than) APBO	(207,593)	(16,313)	(223,906)
Unrecognized amounts			
► Transition obligation (asset)	0	0	0
► Prior service cost	0	0	0
► Accumulated net loss (gain)	0	0	0
► Total	0	0	0
Prepaid (accrued) FAS 106 cost	(207,593)	(16,313)	(223,906)
Effect of One-Percentage-Point Increase in Health Care Trend			
Increase in FAS 106 cost			
► Service cost	1,721	0	1,721
► Interest cost	1,540	0	1,540
► Subtotal	3,261	0	3,261
► Amortization	0	0	0
► Total	3,261	0	3,261
Increase in APBO			
► Retired employees	9,586	0	9,586
► Active employees fully eligible for benefits	4,090	0	4,090
► Other active employees	3,846	0	3,846
► Total	17,522	0	17,522

* After recognition of transition obligation.

Table 6

Actuarial Assumptions and Methods

Economic Assumptions

Discount rate	8.00%
Return on plan assets	9.00%
Annual rate of increase in salaries	See Exhibit A
Valuation pay	July 1, 1990 pay rate

Medical Plans

Average medical plan claims per person were developed by applying the 1991 expected average cost for employees to a standard table of age-specific relative claims and the ages of the population in the CMEP-A and MAP. The resulting age-specific expected 1991 claims were compared to a second age-specific claims distribution developed from the 1990 paid claims data for retirees as a verification; the distribution derived from the expected average cost was used since the paid claims data was not accurately divided into claims paid to retirees and dependents under age 65 and over age 64.

Under Age 65 Claims Distribution (Retirees/Dependents)
(Loaded 7% to Account for Claims for Children of Retiree)

	Retiree		Spouse	
	Male	Female	Male	Female
40-44	$ 3,492	$ 2,739	$ 1,084	$ 1,783
45-49	2,999	2,475	1,303	1,921
50-54	2,351	2,494	1,576	1,975
55-59	2,394	2,412	2,111	2,176
60-64	2,724	2,714	2,170	2,440

Medical Assistance Plan Claims Distribution
(Employer Provided Portion)

	Retiree		Spouse	
	Male	Female	Male	Female
65-69	$ 294	$ 326	$ 314	$ 254
70-74	492	371	399	308
75-79	529	403	432	337
80-84	572	440	470	372
85+	597	462	493	392

Table 6

Actuarial Assumptions and Methods (continued)

Medicare Part B Reimbursement

Reimbursement per retiree $359.00

Medical Trend Assumptions

Year	Under Age 65	MAP	Medicare Part B	Survivors Contribution
1991	18.00%	13.00%	11.50%	18.00%
1992	17.00	15.00	11.50	17.00
1993	16.00	16.00	11.50	16.00
1994	14.00	14.00	11.50	14.00
1995	12.50	12.50	12.50	11.50
1996	11.00	11.00	11.00	11.50
1997	10.00	10.00	10.00	11.50
1998	9.50	9.50	9.50	11.50
1999	8.50	8.50	8.50	11.50
2000-2004	7.75	7.75	7.75	8.50
2005-2009	6.75	6.75	6.75	8.00
2010-2014	6.50	6.50	6.50	7.50
2015-2019	6.50	6.50	6.50	7.00
2020+	6.50	6.50	6.50	6.50

Notes:
1. Assumes 6.5% nominal GNP growth.
2. Medical component of GNP presumed to rise to 20%.
3. Government share of medical cost presumed to fall from 40% to 33%.
4. Governmental spending on medical cost as a percent of GNP increases from 5% to 6.7%.

Table 6

Actuarial Assumptions and Methods (continued)

Demographic Assumptions

Mortality	1983 Group Annuitants Mortality Table
Retirement	Rates varying by age; average age at retirement is 60:

Age	*Rate*
55	0.14
56	0.07
57	0.07
58	0.10
59	0.10
60	0.15
61	0.15
62	0.33
63	0.25
64	0.20
65	0.70
66	0.35
67	0.35
68	0.35
69	1.00

Termination	Rates varying by age; sample rates:

Age	*Rate*
25	0.08
40	0.01
55	--

Disability	None assumed
Dependent status (at retirement)	For current actives, 90% of retirees are married. Actual spouse information provided by company for current retirees.

Table 6

Actuarial Assumptions and Methods (continued)

Spouse's age	Wives are 4 years younger than husbands	
Participation rates	Retiree under age 65:	100%
	Dependent medical under age 65:	100%
	Retiree MAP:	50%
	Dependent MAP:	50%
	Life insurance:	100%
Methods		
Service cost and accumulated postretirement benefit obligation	Projected unit credit, allocated from beginning of credited service period to full eligibility date	
Market-related value of assets	Fair value	

Exhibit A

Salary Increases

Age	Percentage Increase in the Year	Ratio of Salary at Normal Retirement Age to Current Salary
25	8.50%	10.94%
30	7.00	7.29
35	6.50	5.21
40	6.00	3.81
45	6.00	2.85
50	5.75	2.13
55	5.50	1.61
60	5.50	1.24

Table 7

Summary of Participant Data

Results for the Life plan are based on employee data collected as of September 30, 1990 and used for pension valuations. The company supplied a separate census of all participants as of January 1, 1991 for use for the Health valuation.

	Health	Life
Active Employees		
▸ Number	4,031	11,109
▸ Average age	53.2	42.2
▸ Average service	22.4	15.1
▸ Average pay	N/A	$ 35,323
▸ Total payroll ($000)	N/A	382,514
In Payment		
Retired employees and surviving spouses		
▸ Number	5,352	4,653*
▸ Average age	69.5	70.0
Dependents		
▸ Number	3,721	0
▸ Average age	64.5	N/A

* Only retirees eligible for coverage.

Table 8

Summary of Plan Provisions

Medical Plans

Eligible recipients of benefits include participants who retire from active employment and spouses of active employees who die while eligible for retirement. Specific requirements include attainment of age 55 with 10 years of service completed after age 45.

Postretirement medical benefits are offered in three categories. They are outlined below.

1. Retired employees under age 65.

   These retirees can choose between three indemnity plans and numerous HMOs. Most of these retirees are in the Comprehensive Medical Expense Plan-Option A (CMEP-A) indemnity plan. It is a contributory, comprehensive major medical plan. Retirees contribute 10% of the cost of coverage. Retirees who retire before January 1, 1993 do not contribute for coverage. Dependents of retirees over age 65 remain under CMEP-A on a contributory basis.

2. Retired employees who are age 65 or over.

   These retirees can participate in the Medical Assistance Plan (MAP). This is a Medicare supplement plan, and retirees contribute 50% of the cost for each covered individual. MAP benefits are subject to a $50,000 lifetime maximum per individual.

3. Medicare Part B premiums are paid by Columbia Gas for retirees (but not dependents or spouses). These premiums are paid whether or not retirees participate in MAP.

   Other coverages:

   Survivors of deceased retirees or of actives who died while eligible to retire receive coverage paid by the company for one year and then pay 50% of the cost of the coverage thereafter (regardless of age). The cost for survivors under age 65 is based on a blended active/retiree cost. Survivors of actives ineligible to retire receive company-paid coverage for one year and then pay 100% of the blended active/retiree cost. There are benefit cutbacks in cases of marriage or remarriage.

Life Insurance Plan

1. Eligibility for Participation: Retirees under the retirement plan of The Columbia Gas System, Inc. who were covered for 10 or more years under the group life insurance program for active employees.

2. Postretirement Life Insurance Benefits:

   (a) Eligibility: All retirees covered under the plan, at date of death.

   (b) Life Insurance Amount: Amount from the Schedule of Benefits (approximately 80% of basic annual salary at time of retirement) is payable in a lump sum.

   (c) Medical Benefits: Life insurance amounts may be reduced at the retiree's election to pay certain catastrophic medical expenses not reimbursed by Medicare or company medical coverage.

SCHEDULE OF BENEFITS

Retired Employees Only

Basic Annual Salary*		Amount of Life Insurance
Less than	$ 2,400	$ 1,500
$ 2,400 but less than	3,000	2,000
3,000 but less than	3,600	2,500
3,600 but less than	4,200	3,000
4,200 but less than	4,800	3,500
4,800 but less than	5,400	4,000
5,400 but less than	6,000	4,500
6,000 but less than	7,200	5,000
7,200 but less than	8,400	6,000
8,400 but less than	9,600	7,000
9,600 but less than	10,800	8,000
10,800 but less than	12,000	9,000
12,000 but less than	13,750	10,000
13,750 but less than	16,250	12,000
16,250 but less than	18,750	14,000
18,750 but less than	21,250	16,000
21,250 but less than	23,750	18,000
23,750 but less than	26,250	20,000
26,250 but less than	28,750	22,000
28,750 but less than	31,250	24,000
31,250 but less than	33,750	26,000
33,750 but less than	36,250	28,000
36,250 but less than	38,750	30,000

Basic Annual Salary*		Amount of Life Insurance
$ 38,750 but less than	$ 41,250	$ 32,000
41,250 but less than	43,750	34,000
43,750 but less than	46,250	36,000
46,250 but less than	48,750	38,000
48,750 but less than	51,250	40,000
51,250 but less than	53,750	42,000
53,750 but less than	56,250	44,000
56,250 but less than	58,750	46,000
58,750 but less than	61,250	48,000
61,250 but less than	63,750	50,000
63,750 but less than	66,250	52,000
66,250 but less than	68,750	54,000
68,750 but less than	71,250	56,000
71,250 but less than	73,750	58,000
73,750 but less than	76,250	60,000
76,250 but less than	78,750	62,000
78,750 but less than	81,250	64,000
81,250 but less than	83,750	66,000
83,750 but less than	86,250	68,000
86,250 but less than	88,750	70,000
88,750 but less than	91,250	72,000
91,250 but less than	93,750	74,000
93,750 but less than	96,250	76,000
96,250 but less than	98,750	78,000
98,750 or over		80,000

* Basic Annual Salary is the amount shown on the Employer's records on the last day of the calendar month preceding the last day of active employment. For employees receiving sales commissions, Basic Annual Salary is the average amount for the 12 consecutive calendar months immediately preceding the last day of active employment.

Table 9

Assets

	January 1, 1991
Assets of life insurance plan as reported by Columbia	$ 37,867,382

Actuarial Certification

This valuation has been conducted in accordance with generally accepted actuarial principals and practices.

The actuarial assumptions employed in the development of pension cost have been selected by the plan sponsor, with the concurrence of Towers Perrin. Statement No. 106 of the Financial Accounting Standards Board requires that each significant assumption used shall reflect the best estimate solely with respect to that individual assumption.

Towers Perrin

Gerard C. Mingione, F.S.A.

Michael A. Archer, F.S.A.

March 1992

The Columbia Gas System, Inc.

Postretirement Welfare Plans

Actuarial Report for FAS 106 Purposes

as of January 1, 1992

August 1992

Towers Perrin

Table of Contents

I. Management Summary

The Columbia Gas System maintains health and life insurance plans for its current and future retirees. Prior to 1991, Columbia accounted for the medical benefits as they were paid, making no expense accrual during an employee's working career. The retiree group life insurance plan has been funded for a number of years.

Late in 1990, the Financial Accounting Standards Board issued its statement on accounting for postretirement welfare benefits. Beginning in 1993, FAS 106 requires expense recognition on a pension-type basis, i.e., spread over employees' working years. Columbia chose to adopt this accounting procedure earlier than required, i.e., on January 1, 1991.

This report presents the results of the January 1, 1992 actuarial valuation of Columbia's postretirement health and life insurance plans. The summaries include:

- Obligations under FAS 106 and the accounting cost determined under FAS 106
- Methods and assumptions used in the valuation
- Participant data used in the valuation
- Plan provisions.

Results as of January 1, 1992

The 1992 actuarial valuation of Columbia's postretirement health and life insurance plans is based on the substantive plan as of January 1, 1992, and reflects a service requirement provision effective in 1993. Key results are summarized below with dollar amounts in thousands:

	Health	Life	Total
Periodic FAS 106 cost	$ 29,384	$ 3,114	$ 32,498
Percent of valuation earnings	7.3%*	0.8%	8.1%
Pay-as-you-go cost	$ 12,376	$ 2,700	$ 15,076
Percent of valuation earnings	3.1%*	0.7%	3.8%
Accumulated postretirement benefit obligation (APBO)	$ 228,497	$ 65,728	$ 294,225
Number of employees			
Retired employees	5,400	4,740	N/A
Active and disabled employees	3,994**	10,834	N/A
Valuation earnings	$ 403,577*	$ 403,577	$ 403,577

* Includes earnings for employees who have not begun accruing benefits under the plan.
** 6,485 additional active and disabled employees have not begun accruing benefits under the plan.

For 1992, FAS 106 periodic accounting cost exceeds pay-as-you-go cost by $17.4 million, or 4.3% of valuation earnings. To the extent that Columbia does not fund this amount currently, an additional liability amount is accrued on the balance sheet.

Note with respect to these results:

- About 36% of the periodic health cost is related to dependent coverage.
- The FAS 106 cost is sensitive to the level of assumed future health care cost increases, which is difficult to predict. The periodic health cost would increase by 9.4% if the projected rate of health care cost trend were 1% higher than the assumed rates.

Details of the current valuation results are shown in Tables 2 through 4. Actuarial assumptions and methods, a summary of participant data, and coverages valued are outlined in Tables 6, 7, and 8, respectively.

Sensitivity of Results

FAS 106 requires disclosure of the effect of a one-percentage-point increase in the assumed health care cost trend rates for each future year on:

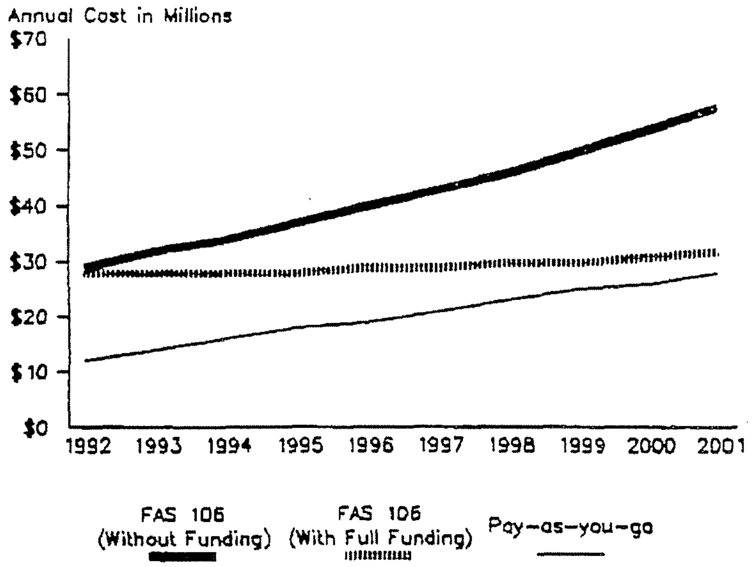
- The APBO
- The aggregate of the service and interest components of FAS 106 cost.

Keeping all other assumptions the same, a one-percentage-increase in trend increases the health care APBO from $228.5 to $243.1 million (6.4%) and the aggregate of the service and interest components of the health care FAS 106 cost increases by $2.8 million (9.4%). Table 5 presents details of the effect of a one-percentage-point increase in the health care trend. The percentage increases in the total postretirement APBO (5.0%) and in the aggregate of the service and interest components of the FAS 106 cost for all postretirement benefits (8.5%) are less since the postretirement life insurance obligations are not dependent on health care inflation.

The APBO and FAS 106 cost are sensitive to a number of other assumptions, including the discount rate and the ages at which employees are expected to retire.

Forecast (Medical Benefits)

Towers Perrin performed a ten-year forecast of results to compare FAS 106 periodic health care costs with expected pay-as-you-go costs. The following graph summarizes the forecast results. Note that the projected costs are developed based upon both full funding* and no funding scenarios.



* Assumes funding equal to FAS 106 cost plus initial transition obligation funded on a level basis over 20 years.

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Annual Costs (millions)										
ay-as-you-go	$12	$14	$16	$18	$19	$21	$23	$25	$26	$28
FAS 106 (without funding)	29	32	34	37	40	43	46	50	54	58
FAS 106 (with full funding)	28	28	28	28	29	29	30	30	31	32
% of Payroll										
Pay-as-you-go	3.1%	3.3%	3.6%	3.8%	3.8%	4.0%	4.1%	4.3%	4.2%	4.3%
FAS 106 (without funding)	7.3	7.5	7.6	7.8	8.0	8.2	8.3	8.5	8.7	8.9
FAS 106 (with full funding)	6.9	6.6	6.2	5.9	5.8	5.5	5.4	5.1	5.0	4.9

Although the 1992 FAS 106 cost is almost 2.5 times the pay-as-you-go cost, the pay-as-you-go cost increases faster than the FAS 106 cost over the ten-year period – 130% (from $12.4 million to $28.5 million) versus 97% (without funding) or 12% (with full funding).

The forecast applies the same actuarial assumptions with respect to salary increases and retirement rates used to determine the 1992 FAS 87 cost. We also assumed that the work force will remain level over the next ten years.

Funding

Columbia now funds the postretirement group life insurance plan through a VEBA. A contribution of $2,847,000 has been made for 1992, versus a tax-deductible contribution limit of $3,587,000 (summarized below). The company's contribution is developed based on a targeted funding level of 80% with respect to the present value of accumulated benefits. The plan is 66% funded on this basis currently.

The company plans to implement similar funding vehicles for postretirement medical benefits, including a VEBA for bargaining employees and retirees and a VEBA and 401(h) account for nonbargaining employees and retirees. (This is subject to agreement/ authorization by various regulatory agencies, i.e., funding will be based on amounts reflected in rates.) For 1992, the total tax-deductible contribution to these funding vehicles has been determined at $22,551,000 (summarized below).

	Health			**Life**
(dollar amounts in thousands)	**VEBA (barg.)**	**VEBA (nonbarg.)**	**401(h)**	**VEBA**
Present value of projected benefits	$73,764	$69,709	$63,391	$68,808
Asset value	0	0	0	37,609
Unfunded present value	$73,764	$69,709	$63,391	$31,199
Average present value of future service (years)	8.50	10.14	8.55	8.70
Annual contribution amount (beginning of year)	$8,675	$6,876	$7,000*	$3,587

* Constrained by estimated retirement plan subordination limit.

II. Index of Tables

Table 1
Summary of Results as of January 1, 1992
(dollars in thousands)

	Health	Life	Total
FAS 106 Cost			
Periodic cost	$ 29,384	$ 3,114	$ 32,498
Periodic cost as percent of valuation earnings	7.3%	0.8%	8.1%
Pay-as-you-go Cost	$ 12,376	$ 2,700	$ 15,076
Percent of valuation earnings	3.1%	0.7%	3.8%
Accumulated Postretirement Benefit Obligation	$ 228,497	$ 65,728	$ 294,225
Expected Postretirement Benefit Obligation	$ 506,009	$ 84,033	$ 590,042
Assets and Reserves			
Plan assets			
▸ Fair value	0	37,609	37,609
▸ Market-related value	0	37,609	37,609
Number of Employees			
Retired employees			
▸ Under 65	1,440	1,193	N/A
▸ Over 65	3,960	3,547	N/A
▸ Total	5,400	4,740	N/A
Active and disabled employees			
▸ Fully eligible for benefits	1,463	1,649	N/A
▸ Other	2,531	9,185	N/A
▪ Total	3,994*	10,834	N/A
Total employees	9,394	15,574	N/A
Valuation Earnings	$ 403,577	$ 403,577	$ 403,577
Key Economic Assumptions			
Discount rate	7.5%	7.5%	7.5%
Average health care cost trend			
▸ first year	15.3%	N/A	15.3%
▸ ultimate	6.5%	N/A	6.5%
Salary increase	N/A	6.0%	6.0%
Return on plan assets	9.0%	9.0%	9.0%
Effective tax rate on plan assets	N/A	0%	N/A

* 6,485 additional active employees have not yet started accruing benefits under the plan.

Table 2

Summary of Health Plan Results as of January 1, 1992
(dollars in thousands)

	Medical	Part B Premium	Total Health
FAS 106 Cost			
Periodic cost	$ 23,666	$ 5,718	$ 29,384
Periodic cost as percent of valuation earnings	5.9%	1.4%	7.3%
Pay-as-you-go Cost	$ 11,011	$ 1,365	$ 12,376
Percent of valuation earnings	2.7%	0.4%	3.1%
Accumulated Postretirement Benefit Obligation	$ 178,085	$ 50,412	$ 228,497
Expected Postretirement Benefit Obligation	$ 411,721	$ 94,288	$ 506,009
Assets and Reserves			
Plan assets			
▸ Fair value	0	0	0
▸ Market-related value	0	0	0
Number of Employees			
Retired employees			
▸ Under 65	1,644	1,440	1,440
▸ Over 65	1,898	3,960	3,960
▸ Total	3,542	5,400	5,400
Active and disabled employees			
▸ Fully eligible for benefits	1,463	1,463	1,463
▸ Other	2,531	2,531	2,531
▸ Total	3,994	3,994	3,994
Total employees	7,536	9,394	9,394
Valuation Earnings	$ 403,577	$ 403,577	$ 403,577
Key Economic Assumptions			
Discount rate	7 5%	7.5%	7.5%
Average health care cost trend			
▸ first year	16 4%	11.5%	15.3%
• ultimate	6 5%	6.5%	6.5%
Salary increase	N A	N/A	N/A
Return on plan assets	9 0%	9.0%	9.0%
Effective tax rate on plan assets	N A	N/A	N/A

Table 3

FAS 106 Cost as of January 1, 1992

(dollars in thousands)

	Health	Life	Total
FAS 106 Cost			
Service cost	$ 11,816	$ 1,450	$ 13,266
Interest cost	17,568	4,939	22,507
Expected return on plan assets	0	(3,468)	(3,468)
Amortization of			
▸ Transition obligation (asset)	0	0	0
▸ Prior service cost	0	0	0
▸ Losses (gains)	0	193	193
▸ Total amortization	0	193	193
Total FAS 106 periodic cost	$ 29,384	$ 3,114	$ 32,498
▸ Percent of valuation earnings	7.3%	0.8%	8.1%
▸ Per active employee	$ 2,881	$ 305	$ 3,186

	Medical	Part B Premium	Total Health
FAS 106 Cost for Health Plans			
Service cost	$ 9,967	$ 1,849	$ 11,816
Interest cost	13,699	3,869	17,568
Expected return on plan assets	0	0	0
Amortization of			
▸ Transition obligation (asset)	0	0	0
▸ Prior service cost	0	0	0
▸ Losses (gains)	0	0	0
▸ Total amortization	0	0	0
Total FAS 106 periodic cost	$ 23,666	$ 5,718	$ 29,384
▸ Percent of valuation earnings	5.9%	1.4%	7.3%
▸ Per active employee	$ 2,320	$ 561	$ 2,881

Table 4

FAS 106 Obligations
(dollars in thousands)

	Health	Life	Total
Accumulated Postretirement Benefit Obligation (APBO)			
In payment			
▸ Retired employees	$ 82,587	$ 37,548	$ 120,135
▸ Dependents and surviving spouses	40,381	0	40,381
▸ Total	122,968	37,548	160,516
Active and disabled employees fully eligible for benefits			
▸ Employees	34,793	12,991	47,784
▸ Dependents	20,757	0	20,757
▸ Total	55,550	12,991	68,541
Other active employees			
▸ Employees	31,300	15,189	46,489
▸ Dependents	18,679	0	18,679
▸ Total	49,979	15,189	65,168
Total APBO			
▸ Employees and retirees	148,680	65,728	214,408
▸ Dependents and surviving spouses	79,817	0	79,817
▸ Total	$ 228,497	$ 65,728	$ 294,225
Additional Obligation for Future Service			
Active employees			
▸ Employees	$ 177,742	$ 18,305	$ 196,047
▸ Dependents	99,770	0	99,770
▸ Total	$ 277,512	$ 18,305	$ 295,817
Expected Postretirement Benefit Obligation			
▸ Employees	$ 326,422	$ 84,033	$ 410,455
▸ Dependents	179,587	0	179,587
▸ Total	$ 506,009	$ 84,033	$ 590,042

Table 5

Accounting Information as of January 1, 1992
(dollars in thousands)

	Health	Life	Total
Reconciliation of Funded Status			
Accumulated postretirement benefit obligation (APBO)			
▸ Retired employees	$ (122,968)	$ (37,548)	$ (160,516)
▸ Active employees fully eligible for benefit	(55,550)	(12,991)	(68,541)
▸ Other active employees	(49,979)	(15,189)	(65,168)
▸ Total	(228,497)	(65,728)	(294,225)
Fair value of assets	0	37,609	37,609
Fair value of assets in excess (less than) APBO	(228,497)	(28,119)	(256,616)
Unrecognized amounts			
▸ Transition obligation (asset)	0	0	0
▸ Prior service cost	0	0	0
▸ Accumulated net loss (gain)	3,221	9,782	13,003
▸ Total	3,221	9,782	13,003
Prepaid (accrued) FAS 106 cost	$ (225,276)	$ (18,337)	$ (243,613)
Effect of One-Percentage-Point Increase in Health Care Trend			
Increase in FAS 106 cost			
▸ Service cost	$ 1,558	$ 0	$ 1,558
▸ Interest cost	1,214	0	1,214
▸ Subtotal	2,772	0	2,772
▸ Amortization	0	0	0
▸ Total	2,772	0	2,772
Increase in APBO			
▸ Retired employees	5,348	0	5,348
▸ Active employees fully eligible for benefits	3,653	0	3,653
▸ Other active employees	5,621	0	5,621
▸ Total	$ 14,622	$ 0	$ 14,622

Table 6

Actuarial Assumptions and Methods

Economic Assumptions

Discount rate for benefit obligations	7.5%
Return on plan assets	9.0%
Annual rate of increase in salaries	See Exhibit A
Valuation earnings	July 1, 1991 pay rate increased by 3% to approximate earnings on January 1. An additional 2% increase was applied for 1992 only, to approximate the restoration of temporary pay cutbacks reflected in the July 1, 1991 earnings rates.

Medical Plans

Average medical plan claims per person were developed based upon a review of actual claims experience for 1990 and 1991. The average claims figures were adjusted to reflect additional medical trend through the valuation date, and to reflect age-specific patterns expected based upon standard claims distribution tables.

Under Age 65 Claims Distribution (Retirees/Dependents)
(Spouse Claims Loaded 7.8% to Account for Claims for Children of Retiree)

	Retiree	Spouse
40-44	N.A.	$ 1,774
45-49	N.A.	1,870
50-54	N.A.	2,058
55-59	$ 2,938	2,311
60-64	3,707	2,515

Medical Assistance Plan Claims Distribution
(Employer Provided Portion)

	Retiree	Spouse
65-69	$ 996	$611
70-74	1,100	692
75-79	1,267	755
80-84	1,388	828
85+	1,438	858

Table 6

Actuarial Assumptions and Methods (continued)

Medicare Part B Reimbursement
Reimbursement per retiree $382.00

Medical Trend Assumptions

Year	Under Age 65	MAP	Medicare Part B	Survivors Contribution
1992	17.00%	15.00%	11.50%	17.00%
1993	16.00	16.00	11.50	16.00
1994	14.00	14.00	11.50	14.00
1995	12.50	12.50	12.50	11.50
1996	11.00	11.00	11.00	11.50
1997	10.00	10.00	10.00	11.50
1998	9.50	9.50	9.50	11.50
1999	8.50	8.50	8.50	11.50
2000-2004	7.75	7.75	7.75	8.50
2005-2009	6.75	6.75	6.75	8.00
2010-2014	6.50	6.50	6.50	7.50
2015-2019	6.50	6.50	6.50	7.00
2020+	6.50	6.50	6.50	6.50

Notes:
1. Assumes 6.5% nominal GNP growth.
2. Medical component of GNP presumed to rise to 20%.
3. Government share of medical cost presumed to fall from 40% to 33%.
4. Governmental spending on medical cost as a percent of GNP increases from 5% to 6.7%.

Table 6

Actuarial Assumptions and Methods (continued)

Demographic Assumptions	
Mortality	1983 Group Annuitants Mortality Table
Retirement	Rates varying by age; average age at retirement is 60:
Termination	Rates varying by age; sample rates:
Disability	None assumed
Dependent status (at retirement)	For current actives, 90% of retirees are married. Actual spouse information provided by company for current retirees.

Retirement rates:

Age	*Rate*
55	0.14
56	0.07
57	0.07
58	0.10
59	0.10
60	0.15
61	0.15
62	0.33
63	0.25
64	0.20
65	0.70
66	0.35
67	0.35
68	0.35
69	1.00

Termination sample rates:

Age	*Rate*
25	0.08
40	0.01
55	--

Table 6

Actuarial Assumptions and Methods (continued)

Spouse's age	Wives are 4 years younger than husbands	
Participation rates	Retiree under age 65:	100%
	Dependent medical under age 65:	100%
	Retiree MAP:	50%
	Dependent MAP:	50%
	Life insurance:	100%

Methods

Service cost and accumulated postretirement benefit obligation	Projected unit credit, allocated from beginning of credited service period to full eligibility date.*
Market-related value of assets	Fair value

* This is age 45 to age 55 for medical benefits, and full career for life insurance.

Exhibit A

Salary Increases

Age	Percentage Increase in the Year	Ratio of Salary at Normal Retirement Age to Current Salary
25	8.50%	10.94%
30	7.00	7.29
35	6.50	5.21
40	6.00	3.81
45	6.00	2.85
50	5.75	2.13
55	5.50	1.61
60	5.50	1.24

Table 7

Summary of Participant Data

Results for the Life plan are based on employee data collected as of September 30, 1991 and used for pension valuations. The company supplied a separate census of all participants as of May 1, 1992 for use for the Health valuation. This data was used as a representation of the January 1, 1992 census.

	Health	Life
Active & Disabled Employees		
▸ Number	3,994	10,834
▸ Average age	52.9	42.6
▸ Average service	21.7	15.3
▸ Average pay	N/A	$ 38,214
• Total payroll ($000)	N/A	403,577
In Payment		
Retired employees and surviving spouses		
▸ Number	5,400	4,740*
▸ Average age	70.0	71.3
Dependents		
▸ Number	4,329	0
▸ Average age	66.3	N/A

* Only retirees eligible for coverage.

Table 8

Summary of Plan Provisions

Medical Plans

Eligible recipients of benefits include participants who retire from active employment and spouses of active employees who die while eligible for retirement. Currently, requirements include attainment of age 55. Beginning in 1993, participants must complete 10 years of service after age 45.

Postretirement medical benefits are offered in three categories. They are outlined below.

1. Retired employees under age 65.

   Retirees who retire before January 1, 1993 do not contribute for coverage. Retirees can choose between three indemnity plans and numerous HMOs. Most of these retirees are in the Comprehensive Medical Expense Plan-Option A (CMEP-A) indemnity plan. It is a contributory, comprehensive major medical plan. Retirees after January 1, 1993 will contribute 10% of the cost of coverage. Although coverage for retirees stops at age 65, their dependents' coverage continues to age 65 under CMEP-A.

2. Retired employees who are age 65 or over.

   These retirees can participate in the Medical Assistance Plan (MAP). This is a Medicare supplement plan, and retirees contribute 50% of the cost for each covered individual. MAP benefits are subject to a $50,000 lifetime maximum per individual.

3. Medicare Part B premiums are paid by Columbia Gas for retirees (but not dependents or spouses). These premiums are paid whether or not retirees participate in MAP.

   Other coverages:

   Survivors of deceased retirees or of actives who die while eligible to retire receive coverage paid by the company for one year and then pay 50% of the cost of the coverage thereafter (regardless of age). The cost for survivors under age 65 is based on a blended active/retiree cost. Survivors of actives ineligible to retire receive company-paid coverage for one year and then pay 100% of the blended active/retiree cost. There are benefit cutbacks in cases of marriage or remarriage.

Life Insurance Plan

1. Eligibility for Participation: Retirees under the retirement plan of The Columbia Gas System, Inc. who were covered for 10 or more years under the group life insurance program for active employees.

2. Postretirement Life Insurance Benefits:

   (a) Eligibility: All retirees covered under the plan, at date of death.

   (b) Life Insurance Amount: For employees hired before January 1, 1993, amount from the Schedule of Benefits (approximately 80% of basic annual salary at time of retirement) is payable in a lump sum. For employees hired on or after January 1, 1993, benefits will be 50% of final base pay to a maximum of $50,000.

   (c) Medical Benefits: Life insurance amounts may be reduced at the retiree's election to pay certain catastrophic medical expenses not reimbursed by Medicare or company medical coverage.

SCHEDULE OF BENEFITS
(Employees hired before January 1, 1993)

Retired Employees Only

Basic Annual Salary*		Amount of Life Insurance
Less than	$ 2,400	$ 1,500
$ 2,400 but less than	3,000	2,000
3,000 but less than	3,600	2,500
3,600 but less than	4,200	3,000
4,200 but less than	4,800	3,500
4,800 but less than	5,400	4,000
5,400 but less than	6,000	4,500
6,000 but less than	7,200	5,000
7,200 but less than	8,400	6,000
8,400 but less than	9,600	7,000
9,600 but less than	10,800	8,000
10,800 but less than	12,000	9,000
12,000 but less than	13,750	10,000
13,750 but less than	16,250	12,000
16,250 but less than	18,750	14,000
18,750 but less than	21,250	16,000
21,250 but less than	23,750	18,000
23,750 but less than	26,250	20,000
26,250 but less than	28,750	22,000
28,750 but less than	31,250	24,000
31,250 but less than	33,750	26,000
33,750 but less than	36,250	28,000
36,250 but less than	38,750	30,000

Basic Annual Salary*			Amount of Life Insurance
$ 38,750	but less than	$ 41,250	$ 32,000
41,250	but less than	43,750	34,000
43,750	but less than	46,250	36,000
46,250	but less than	48,750	38,000
48,750	but less than	51,250	40,000
51,250	but less than	53,750	42,000
53,750	but less than	56,250	44,000
56,250	but less than	58,750	46,000
58,750	but less than	61,250	48,000
61,250	but less than	63,750	50,000
63,750	but less than	66,250	52,000
66,250	but less than	68,750	54,000
68,750	but less than	71,250	56,000
71,250	but less than	73,750	58,000
73,750	but less than	76,250	60,000
76,250	but less than	78,750	62,000
78,750	but less than	81,250	64,000
81,250	but less than	83,750	66,000
83,750	but less than	86,250	68,000
86,250	but less than	88,750	70,000
88,750	but less than	91,250	72,000
91,250	but less than	93,750	74,000
93,750	but less than	96,250	76,000
96,250	but less than	98,750	78,000
98,750	or over		80,000

* Basic Annual Salary is the amount shown on the Employer's records on the last day of the calendar month preceding the last day of active employment. For employees receiving sales commissions, Basic Annual Salary is the average amount for the 12 consecutive calendar months immediately preceding the last day of active employment.

Table 9

Assets

	January 1, 1992
Assets of life insurance plan as reported by Columbia	$ 37,608,624

Actuarial Certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices.

The actuarial assumptions employed in the development of pension cost have been selected by the plan sponsor, with the concurrence of Towers Perrin. Statement No. 106 of the Financial Accounting Standards Board requires that each significant assumption used shall reflect the best estimate solely with respect to that individual assumption.

Towers Perrin

Gerard C. Mingione, FSA

Elliott I. Cobin, ASA

August 1992

The Columbia Gas System, Inc.

Postretirement Welfare Plans

August 1992

Table 1

Summary of Selected Results by Company as of January 1, 1992

(dollars in thousands)

Company	Health: FAS 106 Cost	Health: Pay-as-you-go Cost
10	$ 0	$ 0
12	1,487	360
13	354	27
14	1,529	501
15	54	65
16	146	84
17	11	0
18	116	103
19	18	7
32	910	385
34	9,655	3,758
35	235	198
36	0	0
37	2,528	1,456
38	1,027	332
39	366	467
43	648	121
51	9,649	4,421
53	651	91
	$ 29,384	$ 12,376

Table 2

Summary of Selected Results by Company as of January 1, 1992
(dollars in thousands)

	Life	
Company	FAS 106 Cost	Pay-as-you-go Cost
10	$ 5	$ 3
12	194	154
13	82	18
14	158	119
15	7	12
16	14	12
17	1	0
18	15	17
19	3	2
32	78	64
34	907	817
35	25	27
36	10	17
37	286	279
38	94	71
39	45	77
43	59	30
51	1,057	944
53	74	37
	$ 3,114	$ 2,700

Table 3

Summary of Selected Results by Company as of January 1, 1992

(dollars in thousands)

Company	Total: FAS 106 Cost	Total: Pay-as-you-go Cost
10	$ 5	$ 3
12	1,681	514
13	436	45
14	1,687	620
15	61	77
16	160	96
17	12	0
18	131	120
19	21	9
32	988	449
34	10,562	4,575
35	260	225
36	10	~~17~~
37	2,814	1,735
38	1,121	403
39	411	544
43	707	151
51	10,706	5,365
53	725	128
	$ 32,498	$ 15,076

APPENDIX

The Columbia Gas System, Inc.

Postretirement Welfare Plans

April 1992

TPF&C

Table 1

Summary of Selected Results by Company as of January 1, 1991
(dollars in thousands)

Company	Health: Transition Obligation	Health: FAS 106 Cost	Health: Pay-as-you-go Cost
10	$ 0	$ 0	$ 0
12	8,006	1,461	284
13	1,087	358	29
14	8,626	1,360	403
15	785	60	62
16	840	143	46
17	6	4	0
18	1,186	124	104
19	195	19	6
32	5,877	821	334
34	67,398	9,228	3,133
35	2,469	258	182
36	0	0	0
37	22,823	2,600	1,224
38	5,916	965	238
39	5,317	439	484
41	0	0	0
43	3,080	591	87
51	71,435	9,410	3,986
53	2,547	490	46
	207,593	28,331	10,648

Table 2

Summary of Selected Results by Company as of January 1, 1991
(dollars in thousands)

	Life		
Company	Transition Obligation	FAS 106 Cost	Pay-as-you-go Cost
10	$ 13	$ 8	$ 2
12	875	115	123
13	64	40	9
14	664	103	94
15	71	4	10
16	82	16	12
17	0	0	0
18	111	10	16
19	11	2	2
32	384	51	54
34	4,915	595	692
35	173	17	24
36	131	8	19
37	1,754	192	247
38	412	62	58
39	536	31	76
41	103	13	15
43	177	43	25
51	5,737	688	808
53	100	25	14
	16,313	2,023	2,300

Table 3

Summary of Selected Results by Company as of January 1, 1991

(dollars in thousands)

Company	Total: Transition Obligation	Total: FAS 106 Cost	Total: Pay-as-you-go Cost
10	$ 13	$ 8	$ 2
12	8,881	1,576	407
13	1,151	398	38
14	9,290	1,463	497
15	856	64	72
16	922	159	58
17	6	4	0
18	1,297	134	120
19	206	21	8
32	6,261	872	388
34	72,313	9,823	3,825
35	2,642	275	206
36	131	8	19
37	24,577	2,792	1,471
38	6,328	1,027	296
39	5,853	470	560
41	103	13	15
43	3,257	634	112
51	77,172	10,098	4,794
53	2,647	515	60
	223,906	30,354	12,948

ACTUAL
10,642

12/31/91: 243,[illegible]2

The Columbia Gas System, Inc.

Retiree Welfare Plans

1993 Actuarial Report

May 1993

Towers Perrin

Table of Contents

I. Management Summary

The Columbia Gas System maintains medical and life insurance plans for its current and future retirees. Prior to 1991, Columbia accounted for the medical benefits as they were paid, making no expense accrual during an employee's working career. The retiree group life insurance plan has been expensed and funded on an accrual basis for a number of years.

Late in 1990, the Financial Accounting Standards Board issued its statement on accounting for retiree welfare benefits. Beginning in 1993, FAS 106 requires expense recognition on a pension-type basis, i.e., spread over employees' working years. Columbia chose to adopt this accounting procedure earlier than required, for the 1991 fiscal year.

This report presents the results of the January 1, 1993 actuarial valuation of Columbia's retiree medical and life insurance plans. The summaries include:

- Obligations under FAS 106 and the accounting cost determined under FAS 106
- Forecasts of future FAS 106 cost levels
- Development of maximum tax deductible contribution limits for the various funding vehicles
- Methods and assumptions used in the valuation
- Participant data used in the valuation
- Plan provisions.

Results as of January 1, 1993

The 1993 actuarial valuation of Columbia's retiree medical and life insurance plans is based on the substantive plans as of January 1, 1993, and reflects a service requirement provision effective in 1993. Key results are summarized below with dollar amounts in thousands:

	Medical	Life	Total
Periodic FAS 106 cost	$ 33,667	$ 3,638	$ 37,305
Percent of valuation earnings	8.1%	0.9%	9.0%
Pay-as-you-go cost	$ 15,340	$ 3,061	$ 18,401
Percent of valuation earnings	3.7%	0.7%	4.4%
Accumulated postretirement benefit obligation (APBO)	$ 264,880	$ 72,982	$ 337,862
Number of participants			
Retirees	5,446	5,046	N/A
Active and disabled employees	4,365*	10,706	N/A
Valuation earnings	$ 416,501**	$ 416,501	$ 416,501

* 6,341 additional active and disabled employees have not begun accruing benefits under the plan.

** Includes earnings for employees who have not begun accruing benefits under the plan.

The changes in FAS 106 cost from 1992 to 1993 can be accounted for as follows (dollars in thousands):

	Medical	Life	Total
Prior year FAS 106 cost	$ 29,384	$ 3,114	$ 32,498
Change due to numbers and characteristics of participants and net plan experience	1,147	430	1,577
Contribution policy	323	7	330
Investment experience	0	87	87
Revised claims data	2,813	0	2,813
Change in assumptions	0	0	0
Change in plan provisions	0	0	0
Current year FAS 106 cost	33,667	3,638	37,305

For 1993, FAS 106 periodic accounting cost exceeds pay-as-you-go cost by $18.9 million, or 4.5% of valuation earnings. To the extent that Columbia does not fund this amount currently, an additional liability amount is accrued on the balance sheet.

Details of the current valuation results are shown in Tables 2 through 4. Actuarial assumptions and methods, a summary of participant data, and plan provisions are outlined in Tables 7, 8, and 9, respectively.

Sensitivity of Results

FAS 106 requires disclosure of the effect of a one-percentage-point increase in the assumed medical cost trend rates for each future year on:

- The APBO
- The aggregate of the service and interest cost components of FAS 106 cost.

Keeping all other assumptions the same, a one-percentage-increase in trend increases the medical plan APBO from $264.9 to $284.4 million (7.4%) and the aggregate of the service and interest components of the FAS 106 cost increases by $3.7 million (10.5%). Table 5 presents details of the effect of a one-percentage-point increase in the medical trend. The percentage increases in the total postretirement APBO (5.8%) and in the aggregate of the service and interest cost components of the FAS 106 cost for all retiree welfare benefits (8.7%) are lower since the retiree life insurance obligations are not dependent on health care inflation.

The APBO and FAS 106 cost are also sensitive to a number of other assumptions, including the discount rate and the ages at which employees are expected to retire.

Funding

The company has created three funding vehicles for retiree medical benefits: a VEBA for bargaining employees and retirees, and a VEBA and 401(h) account for nonbargaining employees and retirees. The company is contributing only for those subsidiaries where rate recognition is provided. Thus, only costs allocated to Columbia Gas Transmission and Columbia Gulf Transmission are being funded at this time. Contribution targets equal the allocated FAS 106 cost plus a 20-year amortization of the initial transition obligation. The total tax deductible limit for the three funding vehicles (in $ thousands) are:

VEBA bargaining	$ 5,717
VEBA nonbargaining	12,220
401(h) account	2,906*
Total.	20,843

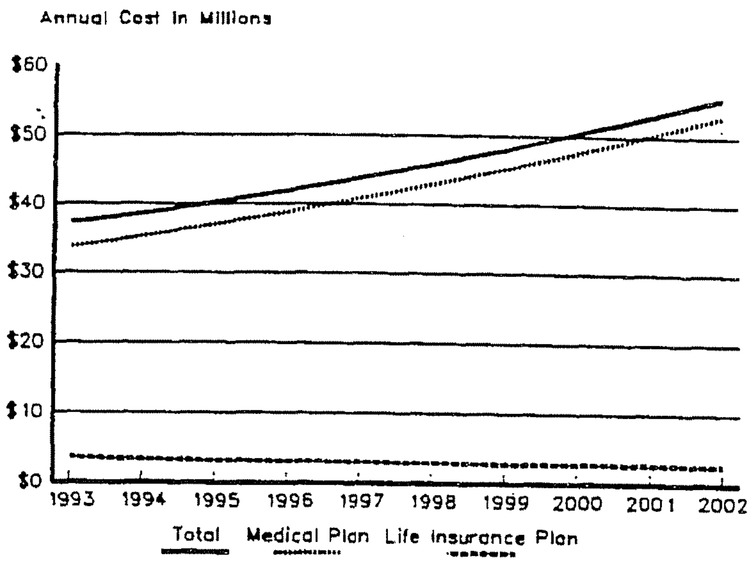
* Amounts allocable to these subsidiaries would be further constrained by retirement plan subordination limit if all locations participate.

Columbia funds the retiree group life insurance plan through a VEBA. A contribution of $4,440,000 has been made for 1993, versus a tax-deductible contribution limit of $4,904,000 as calculated on Table 6. The company's current policy is to contribute FAS 106 cost plus an amount to amortize the accrued postretirement benefit liability as of January 1, 1993 over 20 years (40 years for Commonwealth Gas Services).

Details of the tax deductible limit calculations are shown in Table 6.

Forecast

Towers Perrin performed a ten-year forecast of FAS 106 retiree medical and life costs. The results are shown below. The projected costs for the medical plan assume that benefits for Columbia Gas Transmission and Columbia Gulf Transmission will continue to be prefunded, with funding equal to FAS 106 cost plus the initial transition obligation amortized on a level basis over 20 years. All System benefits are funded in the life insurance plan, where funding is presumed to equal FAS 106 cost plus an amortization of the accrued postretirement benefit liability as of January 1, 1993.



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Annual Costs										
($ millions)										
Life Insurance Plan	$3.6	$3.3	$3.2	$3.1	$3.0	$2.9	$2.8	$2.8	$2.7	$2.6
Medical Plan	33.7	35.3	37.0	38.8	40.8	42.9	45.2	47.6	50.2	53.0
Total	37.3	38.6	40.2	41.9	43.8	45.8	48.0	50.4	52.9	55.6
% of Payroll										
Life Insurance Plan	0.9%	0.8%	0.7%	0.6%	0.6%	0.5%	0.5%	0.5%	0.4%	0.4%
Medical Plan	8.1	8.0	8.0	8.0	7.9	7.9	7.9	7.9	7.9	7.9
Total	9.0	8.8	8.7	8.6	8.5	8.4	8.4	8.4	8.3	8.3

It is expected that future cost increases for the retiree medical plan will be moderated as additional subsidiaries begin prefunding.

The forecast applies the same actuarial assumptions with respect to salary increases and retirement rates used to determine the 1993 FAS 87 cost for the retirement income plans. It also assumes that the work force will remain level over the next ten years.

II. Index of Tables

Table 1

Summary of Results as of January 1, 1993

(dollars in thousands)

	Medical	Life	Total
FAS 106 Cost			
Periodic cost	$ 33,667	$ 3,638	$ 37,305
Periodic cost as percent of valuation earnings	8.1%	0.9%	9.0%
Pay-as-you-go Cost	$ 15,340	$ 3,061	$ 18,401
Percent of valuation earnings	3.7%	0.7%	4.4%
Accumulated Postretirement Benefit Obligation	$ 264,880	$ 72,982	$ 337,862
Expected Postretirement Benefit Obligation	$ 592,684	$ 92,385	$ 685,069
Assets and Reserves			
Plan assets			
▸ Fair value	$ 12,900	$ 41,100	$ 54,000
▸ Market-related value	12,900	41,100	54,000
Number of Participants			
Retired participants			
▸ Under 65	1,438	1,321	N/A
▸ Over 65	4,008	3,725	N/A
▸ Total	5,446	5,046	N/A
Active and disabled employees			
▸ Fully eligible for benefits	1,625	1,569	N/A
▸ Other	2,740	9,137	N/A
▸ Total	4,365*	10,706	N/A
Total participants	9,811	15,752	N/A
Valuation Earnings	$ 416,501	$ 416,501	$ 416,501
Key Economic Assumptions			
Discount rate	7.5%	7.5%	7.5%
Average medical cost trend			
▸ first year	15.2%	N/A	15.2%
▪ ultimate	6.5%	N/A	6.5%
Salary increase	N/A	6.0%	6.0%
Return on plan assets	9.0%	9.0%	9.0%
Effective tax rate	12.8%**	0%	3.1%
After-tax rate of return on plan assets	7.85%	9.0%	8.7%

* 6,341 additional active employees have not yet started accruing benefits under the plan.

** Blended rate reflecting taxable status of nonbargaining VEBA.

Table 2

Breakdown of Medical Plan Results as of January 1, 1993

(dollars in thousands)

	Medical Benefits	Medicare Premium	Total Medical
FAS 106 Cost			
Periodic cost	$ 27,559	$ 6,108	$ 33,667
Periodic cost as percent of valuation earnings	6.6%	1.5%	8.1%
Accumulated Postretirement Benefit Obligation	$ 207,616	$ 57,264	$ 264,880
Expected Postretirement Benefit Obligation	$ 486,668	$ 106,016	$ 592,684
Assets and Reserves*			
Plan assets			
▸ Fair value	$ 9,658	$ 3,242	$ 12,900
▸ Market-related value	9,658	3,242	12,900
Number of Participants			
Retired participants			
• Under 65	1,424	1,279	1,438
• Over 65	2,435	3,656	4,008
▸ Total	3,859	4,935	5,446
Active and disabled employees			
▸ Fully eligible for benefits	1,625	1,625	1,625
▸ Other	2,740	2,740	2,740
▸ Total	4,365	4,365	4,365
Total participants	8,224	9,300	9,811
Valuation Earnings	$ 416,501	$ 416,501	$ 416,501
Key Economic Assumptions			
Discount rate	7.5%	7.5%	7.5%
Average medical care cost trend			
▸ first year	16.0%	12.3%	15.2%
▸ ultimate	6.5%	6.5%	6.5%
Salary increase	N/A	N/A	N/A
After-tax rate of return on plan assets	7.85%	7.85%	7.85%

* Proportional allocation per letter of March 1, 1993

Table 3

FAS 106 Cost as of January 1, 1993
(dollars in thousands)

	Medical	Life	Total
FAS 106 Cost			
Service cost	$ 14,672	$ 1,552	$ 16,224
Interest cost	20,402	5,477	25,879
Expected return on plan assets	(1,407)	(3,754)	(5,161)
Amortization of			
▸ Transition obligation (asset)	0	0	0
▸ Prior service cost	0	0	0
▸ Losses (gains)	0	363	363
▸ Total amortization	0	363	363
Total FAS 106 periodic cost	$ 33,667	$ 3,638	$ 37,305
▸ Percent of valuation earnings	8.1%	0.9%	9.0%
▸ Per active employee	$ 3,222	$ 348	$ 3,570

	Medical Benefits	Medicare Premium	Total Medical
FAS 106 Cost -- Breakdown for Medical Plans			
Service cost	$ 12,543	$ 2,129	$ 14,672
Interest cost	16,069	4,333	20,402
Expected return on plan assets*	(1,053)	(354)	(1,407)
Amortization of			
▸ Transition obligation (asset)	0	0	0
▸ Prior service cost	0	0	0
▸ Losses (gains)	0	0	0
▸ Total amortization	0	0	0
Total FAS 106 periodic cost	$ 27,559	$ 6,108	$ 33,667
▸ Percent of valuation earnings	6.6%	1.5%	8.1%
▸ Per active employee	$ 2,637	$ 585	$ 3,222

* Return on expected contributions during 1993 allocated in proportion to assets as of January 1, 1993.

Table 4

FAS 106 Obligations
(dollars in thousands)

	Medical	Life	Total
Accumulated Postretirement Benefit Obligation (APBO)			
In payment			
▸ Retired employees	$ 90,297	$ 43,309	$ 133,606
▸ Dependents and surviving spouses	44,227	0	44,227
• Total	134,524	43,309	177,833
Active and disabled employees fully eligible for benefits			
▸ Employees	45,853	13,350	59,203
• Dependents	24,629	0	24,629
▸ Total	70,482	13,350	83,832
Other active employees			
• Employees	39,191	16,323	55,514
▸ Dependents	20,683	0	20,683
▸ Total	59,874	16,323	76,197
Total APBO			
▸ Employees and retirees	175,341	72,982	248,323
▸ Dependents and surviving spouses	89,539	0	89,539
▸ Total	$ 264,880	$ 72,982	$ 337,862
Additional Obligation for Future Service			
Active employees			
▸ Employees	$ 220,085	$ 19,403	$ 239,488
▸ Dependents	107,719	0	107,719
▸ Total	$ 327,804	$ 19,403	$ 347,207
Expected Postretirement Benefit Obligation			
▸ Employees	$ 395,426	$ 92,385	$ 487,811
▸ Dependents	197,258	0	197,258
• Total	$ 592,684	$ 92,385	$ 685,069

Table 5

Accounting Information as of January 1, 1993
(dollars in thousands)

	Medical	Life	Total
Reconciliation of Funded Status			
Accumulated postretirement benefit obligation (APBO)			
▸ Retired employees	$ (134,524)	$ (43,309)	$ (177,833)
▸ Active employees fully eligible for benefit	(70,482)	(13,350)	(83,832)
▸ Other active employees	(59,874)	(16,323)	(76,197)
▸ Total	(264,880)	(72,982)	(337,862)
Fair value of assets	12,900	41,100	54,000
Fair value of assets in excess (less than) APBO	(251,980)	(31,882)	(283,862)
Unrecognized amounts			
▸ Transition obligation (asset)	0	0	0
▸ Prior service cost	0	0	0
▸ Accumulated net loss (gain)	20,808	13,315	34,123
▸ Total	20,808	13,315	34,123
Prepaid (accrued) FAS 106 cost	$ (231,172)	$ (18,567)	$ (249,739)
Effect of One-Percentage-Point Increase in Medical Trend			
Increase in FAS 106 cost			
▸ Service cost	$ 2,056	$ 0	$ 2,056
▸ Interest cost	1,620	0	1,620
▸ Subtotal	3,676	0	3,676
▸ Amortization	524	0	524
▸ Total	4,200	0	4,200
Increase in APBO			
▸ Retired employees	7,451	0	7,451
▸ Active employees fully eligible for benefits	4,985	0	4,985
▸ Other active employees	7,114	0	7,114
▸ Total	$ 19,550	$ 0	$ 19,550

Table 6

Tax Deductible Contribution Limits
(dollars in thousands)

Medical Plan

	Bargaining	Non-Bargaining
VEBAs		
Benefits funded		
▸ Actives	all	pre-age 65 benefits for 1/1/92 active employees
▸ Retirees	all	all benefits for pre-1992 retirees
Values as of January 1, 1993		
Actuarial liability		
▸ Current actives	$ 3,059	$ 2,796
▸ Retired 1992 or later	832	1,370
▪ Retired before 1992	8,351	27,165
▪ Total	12,242	31,331
Expected benefit payments		
▸ Current actives	92	427
▸ Retired 1992 or later	75	278
▪ Retired before 1992	859	4,204
▸ Total	1,026	4,909
Assets	4,200	5,700
Expected Values as of December 31, 1993		
Actuarial liability		
▸ Current actives	6,969	7,498
▸ Retired 1992 or later	821	1,160
▸ Retired before 1992	8,126	24,341
▸ Total	15,916	32,999
Account limit (EOY)	9,415*	13,526*
Assets	4,536	6,014
Allowable increase to account limit	4,879	7,512
Benefit payments	1,026	4,909
Deductible limit (MOY)	5,717	12,220

* Equals actuarial liability at end of year for current actives and retirees 1992 and later plus 20% of end of year liability for pre-1992 retirees.

Note: All amounts encompass Columbia Gas Transmission and Columbia Gulf Transmission participants only.

Table 6 (continued)

Tax Deductible Contribution Limits
(dollars in thousands)

Medical Plan

401(h) Account for Non-Bargaining Employees

Benefits funded

▸ Actives	post-age 65 benefits for 1/1/92 active employees
▸ Retirees	post-age 65 benefits for those retiring after 1/1/92

	Total
Values as of January 1, 1993	
Expected postretirement benefit obligation	$ 26,560
Assets	3,000
Present value of projected service	8.42
Aggregate normal cost (MOY)	2,906
Calculation of subordination limit (entire plan)	
Normal cost for pension benefits	
▸ 1993	27,973
▸ 1992	26,916
▸ Total	54,889
Actual contributions for current pension benefits	
▸ 1993	17,731
▸ 1992	15,081
▸ Total	32,812
One-third of the lesser of the above	10,937
Death benefits to the extent funded	
▸ 1993	269
▸ 1992	228
▸ Total	497
Amounts funded through 401(h)	
▸ 1992	2,982
401(h) contribution limit	7,458

Note: All amounts except subordination limit encompass Columbia Gas Transmission and Columbia Gulf Transmission participants only.

Table 6 (continued)

Tax Deductible Contribution Limits
(dollars in thousands)

Life Insurance Plan

VEBA

Benefits funded

▸ Actives	all
▸ Retirees	all

Funding method - Aggregate

	Total
Values as of January 1, 1993	
Expected postretirement benefit obligation	$ 80,909
Assets	41,100
Present value of projected service	8.43
Aggregate normal cost (MOY)	4,904

Table 7

Actuarial Assumptions and Methods

	FAS 106 Cost	Contributions
Economic Assumptions		
Discount rate for benefit obligations	7.5%	8.0%/5.5%*
Return on plan assets		
▸ Medical plan	7.85%*	8.0%/5.5%*
▸ Life insurance plan	9.0%	8.0%
Annual rate of increase in salaries	Age-graded rates, averaging 6% (Exhibit A)	Age-graded rates, averaging 6% (Exhibit A)
Valuation earnings	July 1, 1992 pay rate increased by 3% to approximate earnings on January 1	July 1, 1992 pay rate increased by 3% to approximate earnings on January 1

* Net of tax applicable to non-bargaining medical VEBA; FAS 106 valuation employs a blended rate.

Medical Plans
Average medical plan claims per person were developed based upon a review of actual claims experience for 1991 and 1992. The average claims figures were adjusted to reflect additional medical trend through the valuation date, and to reflect age-specific patterns expected based upon standard claims distribution tables.

Under Age 65 Claims Distribution (Retirees/Dependents)

	Retiree	Spouse
40-44	N/A	$ 1,876
45-49	N/A	2,057
50-54	N/A	2,369
55-59	$ 4,186	2,732
60-64	5,282	3,130

Medical Assistance Plan Claims Distribution (Employer Provided Portion)

	Retiree	Spouse
65-69	$ 1,142	$ 679
70-74	1,262	775
75-79	1,454	833
80-84	1,592	912
85+	1,650	946

Table 7 (continued)
Actuarial Assumptions and Methods

Annual Contribution Amounts*

	Pre-age 65		Post-age 65	
	Employee	**Spouse**	**Employee**	**Spouse**
Retired before January 1, 1993	$ 0	$ 0	$ 570	$ 570
Retired on or after January 1, 1993	236	253	570	570
Surviving spouse	N/A	1,182	N/A	570

* Amounts reported by the company for 1993. These amounts are projected with medical trend.

Medicare Part B Premium
Reimbursement per retiree $439.00

Medical Trend Assumptions

Year	**Under Age 65**	**Age 65+**	**Medicare Premium****
1993	16.00%	16.00%	12.30%
1994	14.00	14.00	12.20
1995	12.50	12.50	12.50
1996	11.00	11.00	11.00
1997	10.00	10.00	10.00
1998	9.50	9.50	9.50
1999	8.50	8.50	8.50
2000-2004	7.75	7.75	7.75
2005-2009	6.75	6.75	6.75
2010+	6.50	6.50	6.50

** Medicare premium trend modified for 1993 and 1994 to reflect mandated increases.

Notes:
1. Based on 6.5% nominal GNP growth per capita.
2. Medical component of GNP presumed to increase from 14% to 22% over a twenty-year period.
3. No trend employed for non-bargaining VEBA due to tax limit considerations.

Table 7 (continued)
Actuarial Assumptions and Methods

Demographic Assumptions

Mortality	1983 Group Annuitants Mortality Table
Retirement	Rates varying by age; average age at retirement is 60:

Age	*Rate*
55	0.14
56	0.07
57	0.07
58	0.10
59	0.10
60	0.15
61	0.15
62	0.33
63	0.25
64	0.20
65	0.70
66	0.35
67	0.35
68	0.35
69	1.00

Termination — Rates varying by age; sample rates:

Age	*Rate*
25	0.08
40	0.01
55	--

Disability	None assumed
Dependent status (at retirement)	For current actives, 90% of retirees presumed married at retirement; actual spouse information provided by company for current retirees.

Table 7 (continued)
Actuarial Assumptions and Methods

Spouse's age	Wives 4 years younger than husbands.	
Participation rates	Retiree under age 65:	100%
	Dependent medical under age 65:	100%
	Retiree MAP:	50%
	Dependent MAP:	50%
	Life insurance:	100%
Methods		
FAS 106 costs	Projected unit credit, allocated from beginning of credited service period to full eligibility date. This is age 45 to age 55 for medical benefits, and full career for life insurance.	
Contributions		
▸ Medical plan VEBAs	Entry age normal with entry age equal to later of hire date or January 1, 1992.	
▸ Medical plan 401(h)	Aggregate method	
▸ Life insurance plan VEBA	Aggregate method	
Market-related value of assets	Fair value as reported by company.	
Benefits not valued		
• FAS 106 costs	None	
▸ Contributions	Benefits for key employees and benefits in excess of DEFRA limits (generally $50,000) were not valued.	

Exhibit A

Salary Increases

Age	Percentage Increase in the Year	Ratio of Salary at Normal Retirement Age to Current Salary
25	8.50%	10.94%
30	7.00	7.29
35	6.50	5.21
40	6.00	3.81
45	6.00	2.85
50	5.75	2.13
55	5.50	1.61
60	5.50	1.24

Table 8

Summary of Participant Data

Results based on employee data collected as of August 31, 1992 (also used for pension valuations). This data was used as a representation of the January 1, 1993 census.

	Medical	Life
Active & Disabled Employees		
▸ Number	4,365	10,706
▸ Average age	53.1	42.7
▸ Average service	21.8	15.5
▸ Average pay (actives)	N/A	$ 38,904
▸ Total payroll ($000)	N/A	416,501
In Payment		
Retired employees and surviving spouses		
▸ Number	5,446	5,046*
▸ Average age	70.3	70.4
Dependents		
▸ Number	4,390	0
▸ Average age	67.1	N/A

* Only retirees eligible for coverage.

Table 9

Summary of Plan Provisions

Medical Plans

Eligible recipients of benefits include participants who retire from active employment, their spouses and dependents, and spouses of active employees who die while eligible for retirement. Currently, requirements include attainment of age 55. Beginning in 1993, participants must complete 10 years of service after age 45.

Retiree medical benefits are offered in three categories. They are outlined below.

1. Retired employees and dependents under age 65.

   Participants retiring before January 1, 1993 do not contribute for coverage. Retirees can choose between three indemnity plans and numerous HMOs. Most participants are covered under the Comprehensive Medical Expense Plan-Option A (CMEP-A) indemnity plan before age 65. This is a contributory, comprehensive major medical plan. Retirees on or after January 1, 1993 will contribute 10% of the cost of coverage. For employees hired on or after January 1, 1993, the contribution will increase to 50% of the cost of coverage.

2. Retired employees and dependents age 65 or over.

   These participants are covered under the Medical Assistance Plan (MAP). This is a Medicare supplement plan, and retirees contribute 50% of the cost for each covered individual. MAP benefits are subject to a $50,000 lifetime maximum per individual.

3. Medicare Part B premiums are paid by Columbia Gas for retirees (but not dependents or spouses). These premiums are paid whether or not retirees participate in MAP.

Survivor coverages are as follows:

> Survivors of deceased retirees or of actives who die while eligible to retire receive coverage paid by the company for one year and then pay 50% of the cost of the coverage thereafter (regardless of age). The cost for survivors under age 65 is based on a blended active/retiree cost. Survivors of actives ineligible to retire receive company-paid coverage for one year and then pay 100% of the blended active/retiree cost. There are benefit cutbacks in cases of marriage or remarriage.

Table 9 (continued)

Summary of Plan Provisions

Life Insurance Plan

1. Eligibility for Participation: Retirees under the retirement plan of The Columbia Gas System, Inc. who were covered for 10 or more years under the group life insurance program for active employees.

2. Retiree Life Insurance Benefits:

   (a) Eligibility: All retirees covered under the plan, at date of death.

   (b) Life Insurance Amount: For employees hired before January 1, 1993, amount from the Schedule of Benefits (approximately 80% of basic annual salary at time of retirement) is payable in a lump sum. For employees hired on or after January 1, 1993, benefits will be 50% of final base pay to a maximum of $50,000.

   (c) Medical Benefits: Life insurance amounts may be reduced at the retiree's election to pay certain catastrophic medical expenses not reimbursed by Medicare or company medical coverage.

SCHEDULE OF BENEFITS
(Employees hired before January 1, 1993)

Retired Employees Only

Basic Annual Salary*		Amount of Life Insurance
Less than	$ 2,400	$ 1,500
$ 2,400 but less than	3,000	2,000
3,000 but less than	3,600	2,500
3,600 but less than	4,200	3,000
4,200 but less than	4,800	3,500
4,800 but less than	5,400	4,000
5,400 but less than	6,000	4,500
6,000 but less than	7,200	5,000
7,200 but less than	8,400	6,000
8,400 but less than	9,600	7,000
9,600 but less than	10,800	8,000
10,800 but less than	12,000	9,000
12,000 but less than	13,750	10,000
13,750 but less than	16,250	12,000
16,250 but less than	18,750	14,000
18,750 but less than	21,250	16,000
21,250 but less than	23,750	18,000
23,750 but less than	26,250	20,000

Table 9 (continued)

Summary of Plan Provisions

Life Insurance Plan (continued)

Basic Annual Salary*		Amount of Life Insurance
$ 26,250 but less than	$ 28,750	$ 22,000
28,750 but less than	31,250	24,000
31,250 but less than	33,750	26,000
33,750 but less than	36,250	28,000
36,250 but less than	38,750	30,000
38,750 but less than	41,250	32,000
41,250 but less than	43,750	34,000
43,750 but less than	46,250	36,000
46,250 but less than	48,750	38,000
48,750 but less than	51,250	40,000
51,250 but less than	53,750	42,000
53,750 but less than	56,250	44,000
56,250 but less than	58,750	46,000
58,750 but less than	61,250	48,000
61,250 but less than	63,750	50,000
63,750 but less than	66,250	52,000
66,250 but less than	68,750	54,000
68,750 but less than	71,250	56,000
71,250 but less than	73,750	58,000
73,750 but less than	76,250	60,000
76,250 but less than	78,750	62,000
78,750 but less than	81,250	64,000
81,250 but less than	83,750	66,000
83,750 but less than	86,250	68,000
86,250 but less than	88,750	70,000
88,750 but less than	91,250	72,000
91,250 but less than	93,750	74,000
93,750 but less than	96,250	76,000
96,250 but less than	98,750	78,000
98,750 or over		80,000

* Basic Annual Salary is the amount shown on the Employer's records on the last day of the calendar month preceding the last day of active employment. For employees receiving sales commissions, Basic Annual Salary is the average amount for the 12 consecutive calendar months immediately preceding the last day of active employment.

Table 10

Assets

	January 1, 1993
Medical Plan	
▸ Market value reported by Columbia	
▸ Bargaining VEBA	$ 4,200,000
▸ Non-bargaining VEBA	5,700,000
• 401(h) account	3,000,000
▸ Total	12,900,000
Life Insurance Plan	
• Market value reported by Columbia	$ 41,100,000

Actuarial Certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices.

The actuarial assumptions employed in the development of pension cost have been selected by the plan sponsor, with the concurrence of Towers Perrin. Statement No. 106 of the Financial Accounting Standards Board requires that each significant assumption used shall reflect the best estimate solely with respect to that individual assumption.

Gerard C. Mingione, FSA

Elliott Cobin

Elliott I. Cobin, ASA

Towers Perrin

May 1993

APPENDIX

The Columbia Gas System, Inc.
Retiree Welfare Plans

1993 Cost Allocation

May 1993

Towers Perrin

Table 1

Allocation of 1993 FAS 106 Cost by Company
(dollars in thousands)

	Medical			
Company	Service Cost	Interest Cost	Expected Return	FAS 106 Cost
10	$ 0	$ 0	$ 0	$ 0
12	996	889	0	1,885
13	230	119	0	349
14	1,040	977	(192)	1,825
15	4	60	0	64
16	61	107	0	168
17	16	4	0	20
18	42	90	0	132
19	0	15	0	15
25	27	8	0	35
32	497	590	0	1,087
34	4,572	6,773	0	11,345
35	98	201	0	299
37	911	2,040	0	2,951
38	600	669	0	1,269
39	0	372	0	372
43	417	361	0	778
51	4,667	6,784	(1,215)	10,236
53	494	343	0	837
	$ 14,672	$ 20,402	$ (1,407)	$ 33,667

Method of Allocation:

- Service cost with interest specific to each company.
- All other cost items allocated in proportion to APBO.
- Expected return allocated based on:
  - (1) 1992 contributions with respect to 1/1/93 balances
  - (2) expected 1993 prefunding contributions (1993 FAS 106 cost plus 5% transition obligation minus expected benefit payments).

Table 2

Allocation of 1993 FAS 106 Cost by Company

(dollars in thousands)

Company	Life Insurance Cost
10	$ 3
12	223
13	73
14	197
15	9
16	15
17	1
18	18
19	3
25	4
32	92
34	1,065
35	29
36	13
37	330
38	114
39	53
43	69
51	1,237
53	90
	$ 3,638

Method of Allocation:
- -- Service cost with interest specific to each company.
- -- All other cost items allocated in proportion to APBO.

Table 3

Allocation of 1993 FAS 106 Cost by Company
(dollars in thousands)

Company	Total FAS 106 Cost
10	$ 3
12	2,108
13	422
14	2,022
15	73
16	183
17	21
18	150
19	18
25	39
32	1,179
34	12,410
35	328
36	13
37	3,281
38	1,383
39	425
43	847
51	11,473
53	927
	$ 37,305

The Columbia Gas System, Inc.

Retiree Welfare Plans

1994 Actuarial Report

May 1994

Towers Perrin

Table of Contents

Management Summary

Highlights

The Columbia Gas System adopted Financial Accounting Standard No. 106 (FAS 106) with the 1991 fiscal year. This report summarizes the financial results for Columbia's retiree welfare plans under FAS 106, and sets forth tax deductible limits under IRC 419.

Results are based upon actuarial valuations of the retiree medical and life insurance benefits as of January 1, 1994 and January 1, 1993. (All dollar values are shown in thousands.)

	January 1, 1994	January 1, 1993
FAS 106 Expense		
Dollar amount	$ 32,866	$ 37,305
Percent of payroll	7.7%	9.0%
Disbursements		
Projected	$ 19,430	$ 18,401
Percent of payroll	4.6%	4.4%
Trust Contributions		
Company contributions*	$ 19,477	$ 21,259
Percent of payroll	4.6%	5.1%
Maximum deductible contribution	$ 46,432	$ 25,747
Percent of payroll	10.9%	6.2%
FAS 106 Funded Status -- Medical		
Fair value of assets (FV)	$ 28,244	$ 12,900
Accumulated postretirement benefit obligation (APBO)	263,013	264,880
APBO funded percentage (FV + APBO)	10.7%	4.9%
Accrued postretirement benefit cost	$ 241,174	$ 231,172
FAS 106 Funded Status -- Life		
Fair value of assets (FV)	$ 51,711	$ 41,100
Accumulated postretirement benefit obligation (APBO)	82,796	72,982
APBO funded percentage (FV + APBO)	62.5%	56.3%
Accrued postretirement benefit cost	$ 19,350	$ 18,567

* Reflects inclusion of four subsidiaries in funding vehicles for 1994.

Major Events Since Prior Valuation

Economic Environment

The discount rate for FAS 106 expense purposes reflects the time value of money as of the measurement date. This rate is set based on high quality bond yields. In fiscal 1993 the yields on government and corporate bonds decreased significantly:

	December 31, 1993	December 31, 1992
Moody's AAA corporate bonds	7.00%	7.91%
30-year Treasury bonds	6.35%	7.40%

Since market rates and inflation expectations decreased during the year, for FAS 106 expense purposes, Columbia changed its discount rate and salary increase assumptions. The return on plan assets assumption was unchanged. For funding purposes, interest rate and salary increase rate assumptions remained unchanged.

	January 1, 1994	January 1, 1993
FAS 106		
▸ Discount rate for obligations	7.0%	7.5%
▸ Salary increase rate	5.5%	6.0%
▸ Return on plan assets*	7.85%	7.85%
▸ Assumed tax rate*	12.8%	12.8%
Contributions		
▸ Interest rate (before tax)	8.0%	8.0%
▸ Assumed tax rate**	31.25%	31.25%
▸ Salary increase rate	6.0%	6.0%

* Blended rate reflecting taxation of income in nonbargaining VEBA.
** Applies on assets in the nonbargaining VEBA trust only. All other funding vehicles offer tax-free investment income.

Retiree Health Care Costs

The 1994 per capita claim costs assumed in the current valuation were roughly 7% lower on an overall basis versus the 1994 cost projected in the prior valuation.

	Prior to age 65	*Age 65 and after*
1994 cost assumed in current valuation	$ 3,915	$ 1,170
1994 cost projected in prior valuation	4,331	1,228

Health Care Trend Rate

Trend rates in the short term are typically related to the recent history of health care cost increases, while the ultimate trend is related to the general economic environment. The rate of increase in medical CPI declined during 1993. This resulted in favorable claims experience under Columbia's program, and a gain versus the expected medical trend.

	1993	**1992**
Consumer Price Index change		
▸ Total index	3.0%	3.0%
▸ Medical component	6.0%	7.4%
Columbia's medical trend assumption	16.0%	16.0%

Based upon the change in discount rate and a recent downward trend in health care cost increases, the assumptions used in the 1994 valuation have been revised as follows:

	1994 Valuation	**1993 Valuation**
1994 trend	12.0%	14.0%
Ultimate trend	5.5%	6.5%
Years to reach ultimate trend	10	16

Demographics

The following summarizes the changes in participant data:

	1994	1993	% Change
Active Employees:			
▸ Number	10,304	10,451	(1.4)%
▸ Average age	42.6	42.4	
▸ Average service	15.2	15.2	
Disabled Employees:			
▸ Number	250	255	(2.0)%
▸ Average age	53.7	53.8	
Retirees and Surviving Spouses:			
▸ Number	5,393	5,446	(1.0)%
▸ Average age	70.7	70.3	
Total:			
▸ Number	15,947	16,152	(1.4)%
▸ Average age	52.2	52.0	

Salary increases for individual employees averaged 5.2%, as compared to the assumed rate of about 6.0%.

Plan Changes

Plan provisions have not changed since the prior valuation.

FAS 106 Expense

Net periodic postretirement benefit cost (FAS 106 expense) is the amount an employer must recognize in its financial statement as the cost of retiree welfare plans. It is determined in accordance with Financial Accounting Standards Board Statement No. 106. FAS 106 expense is $32,866,000 for fiscal 1994, or 7.7% of payroll.

The changes in FAS 106 expense from 1993 to 1994 can be accounted for as follows (dollars in thousands):

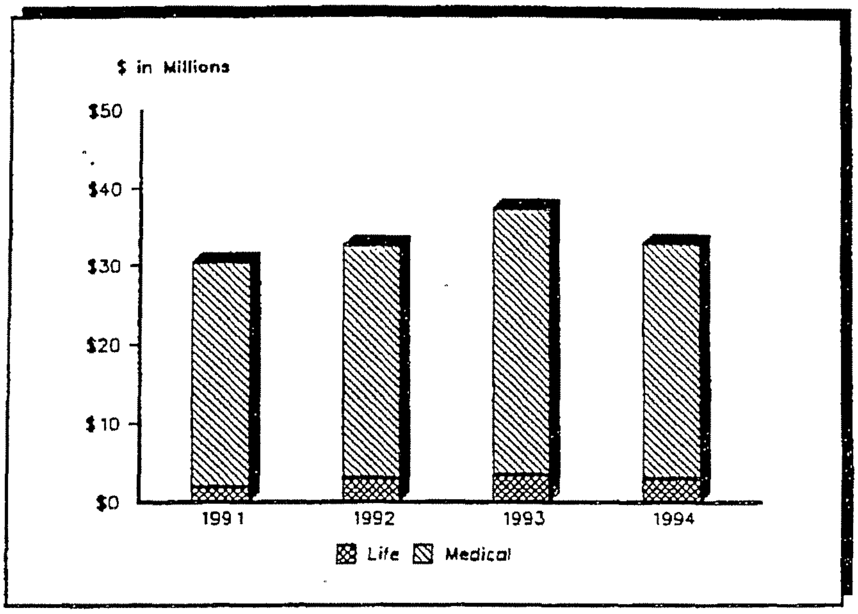
	Medical	Life	Total
Prior year FAS 106 expense	$ 33,667	$ 3,638	$ 37,305
Change due to numbers and characteristics of participants	404	(71)	333
Investment experience	(114)	(846)	(960)
Claims experience	(3,225)	0	(3,225)
Changes in assumptions	(947)	360	(587)
Change in plan provisions	0	0	0
Current year FAS 106 expense	29,785	3,081	32,866

PSC0048 ATTACHMENT

History of Expense

The decrease in FAS 106 expense in 1994 is largely due to favorable claims experience and the reduction in medical trend assumption. The chart that follows shows the retiree welfare expense since the adoption of FAS 106 accounting in 1991:

History of Expense



History of Expense ($ thousands)

Fiscal Year	*Medical*	*Life*	*Total*	*Percent of Pay*
1994	$ 29,785	$ 3,081	$ 32,866	7.7%
1993	33,667	3,638	37,305	9.0
1992	29,384	3,114	32,498	8.1
1991*	28,331	2,023	30,354	7.9

* Does not include recognition of transition obligation.

Advance Contributions

The company has created three funding vehicles for retiree medical benefits: a VEBA for bargaining employees and retirees, and a VEBA and 401(h) account for nonbargaining employees and retirees. The company is contributing only for those subsidiaries where rate recognition is provided. Thus, only costs allocated to Columbia Gas Transmission, Columbia Gulf Transmission, Columbia Gas of Maryland and Commonwealth Gas Services are expected to be funded during 1994.

Company contribution targets are based on the allocated FAS 106 expense plus an amortization of any accrued FAS 106 expense from prior years. This amount totals $15,577,000 for these four subsidiaries in 1994. The tax deductible limits for 1994 with respect to the three funding vehicles (in $ thousands) are:

VEBA bargaining	$ 28,682
VEBA nonbargaining	10,887
401(h) account	2,733*
Total	$ 42,302

* Amounts allocable to these subsidiaries could be further constrained by the retirement plan subordination limit if additional locations participate.

The contribution targets are allocated to the funding vehicles on a per-capita basis between the bargaining and nonbargaining trusts. The overall allocation between bargaining and nonbargaining trusts is made without regard to deductibility; however, contributions allocated to the nonbargaining trusts are first applied to the 401(h) account, up to the deductible limit, to maximize tax effectiveness. The allocation of the 1994 target contribution is as follows (in $ thousands):

VEBA bargaining	$ 2,943
VEBA nonbargaining	9,901
401(h) account	2,733
Total	$ 15,577

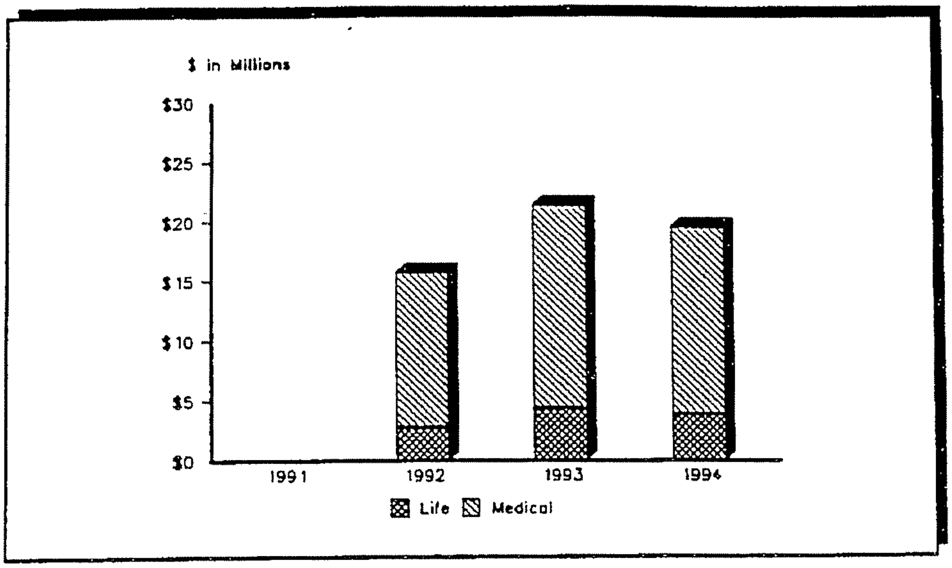
Columbia funds the retiree group life insurance plan through a VEBA. A company contribution of $3,900,000 has been determined for 1994, versus a tax-deductible contribution limit of $4,130,000. As for retiree medical costs, the company's policy is to contribute based on FAS 106 expense plus an amount to amortize any accrued FAS 106 expense from prior years.

Details of the tax deductible limit calculations are shown in the Supplemental Information section beginning on page SI-6.

History of Contributions

The following chart shows the history of employer advance contributions plus the anticipated contributions for 1994:

History of Contributions



History of Contributions ($ thousands)

Year	*Medical*	*Life*	*Total*
1994	$ 15,577	$ 3,900	$ 19,477
1993	16,902	4,357	21,259
1992	12,900	2,847	15,747
1991	0	0	0

FAS 106 Funded Status

The funded status, on a FAS 106 expense basis, is measured by comparing the fair value of assets with the accumulated postretirement benefit obligation (APBO). The APBO is the portion of the total present value of projected benefits allocated to prior years.

The plan's funded percentage (fair value of assets divided by APBO) increased to 23.1% as of January 1, 1994 from 16.0% for the prior year. This percentage is based on a fair value of assets of $80.0 million and an APBO of $345.8 million.

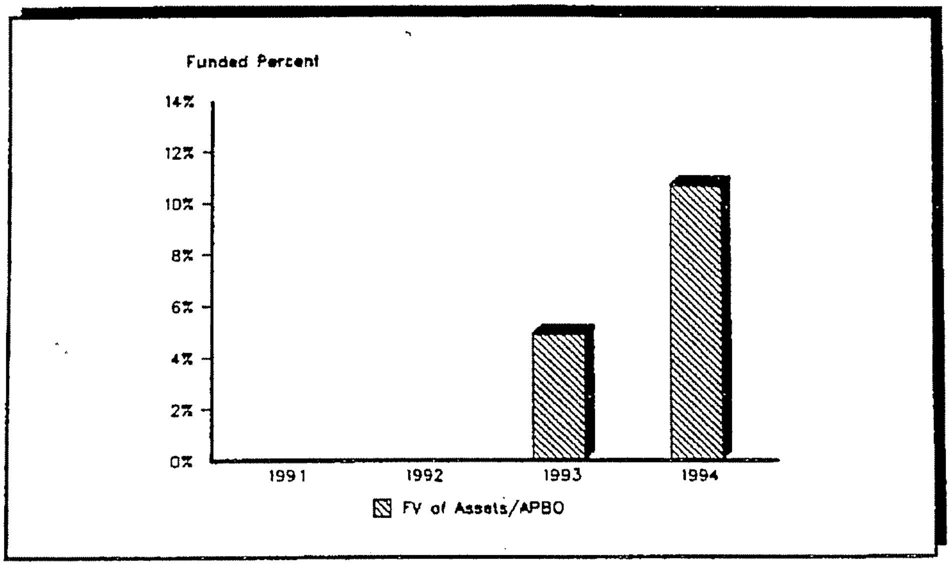
An approximate reconciliation for the change in funded percentage is presented below:

	Medical	**Life**	**Total**
Prior year funded percentage	4.9%	56.3%	16.0%
Contribution policy and miscellaneous experience	4.7	2.5	4.3
Investment experience	0.6	7.9	2.3
Revised claims data	0.8	0.0	1.3
Change in assumptions	(0.3)	(4.2)	(0.8)
Change in plan provisions	0.0	0.0	0.0
Current year funded percentage	10.7	62.5	23.1

History of Funded Status

The following chart shows the history of funded status of the medical plan since 1991 (dollars shown in thousands):

History of Funded Status -- Medical

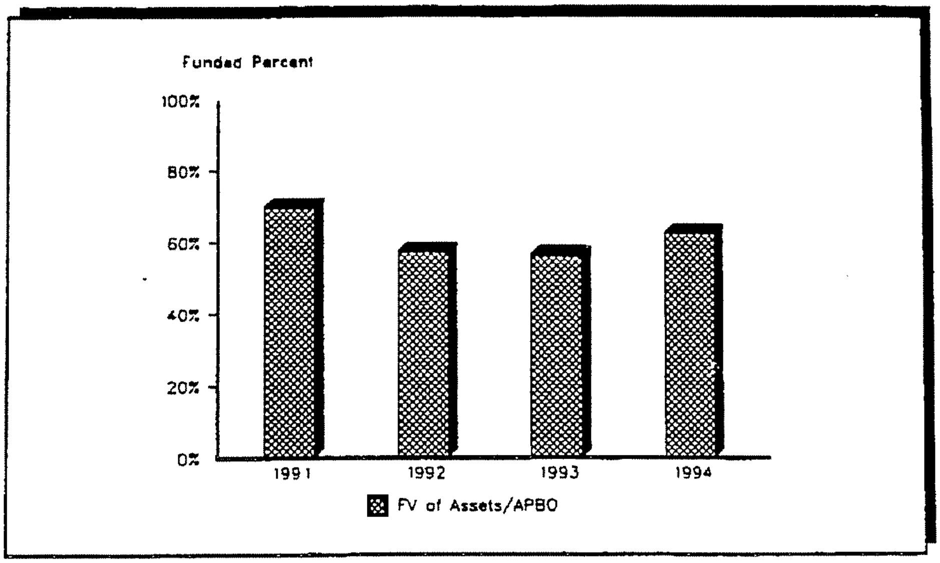


History of Funded Status -- Medical

Fiscal Year	*APBO*	*Assets*	*Funded Percentage*
1994	$ 263,013	$ 28,244	10.7%
1993	264,880	12,900	4.9
1992	228,497	0	0
1991	207,593	0	0

The following chart shows the history of funded status of the life insurance plan since 1991 (dollars shown in thousands):

History of Funded Status -- Life



History of Funded Status -- Life

Fiscal Year	*APBO*	*Assets*	*Funded Percentage*
1994	$ 82,796	$ 51,711	62.5%
1993	72,982	41,100	56.3
1992	65,728	37,609	57.2
1991	54,180	37,867	69.9

Supplemental Information

Summary of Results as of January 1, 1994

(dollars in thousands)

	Medical	Life	Total
FAS 106 Expense			
Expense	$ 29,785	$ 3,081	$ 32,866
Expense as percent of valuation earnings	7.0%	0.7%	7.7%
Pay-as-you-go Cost (estimated)	$ 15,968	$ 3,462	$ 19,430
Percent of valuation earnings	3.8%	0.8%	4.6%
Accumulated Postretirement Benefit Obligation	$ 263,013	$ 82,796	$ 345,809
Expected Postretirement Benefit Obligation	$ 541,324	$ 105,040	$ 646,364
Plan Assets			
• Fair value	$ 28,244	$ 51,711	$ 79,955
▸ Market-related value	28,244	51,711	79,955
Number of Participants			
Retired participants			
▸ Under 65	1,425	1,373	N/A
• Over 65	4,159	4,020	N/A
▸ Total	5,584	5,393	N/A
Active and disabled employees			
▸ Fully eligible for benefits	1,688	1,564	N/A
• Other	2,761	8,990	N/A
• Total	4,449*	10,554	N/A
Total participants	10,033	15,947	N/A
Valuation Earnings	$ 425,228	$ 425,228	$ 425,228
Key Economic Assumptions			
Discount rate	7.0%	7.0%	7.0%
Medical cost trend			
▸ first year	12.0%**	N/A	12.0%**
• ultimate	5.5%	N/A	5.5%
Salary increase	N/A	5.5%	5.5%
Return on plan assets	9.0%	9.0%	9.0%
Effective tax rate	12.8%***	0%	N/A
After-tax rate of return on plan assets	7.85%	9.0%	N/A

* 6,105 additional active employees have not yet started accruing benefits under the plan.

** 12.0% is first year trend assumption for medical benefits; first two years' trend assumption for Medicare premiums is slightly higher due to mandated increases.

*** Blended rate reflecting taxable status of nonbargaining VEBA.

Breakdown of Medical Plan Results as of January 1, 1994
(dollars in thousands)

	Medical Benefits	Medicare Premium	Total Medical
FAS 106 Expense			
Expense	$ 24,016	$ 5,769	$ 29,785
Expense as percent of valuation earnings	5.6%	1.4%	7.0%
Accumulated Postretirement Benefit Obligation	$ 202,239	$ 60,774	$ 263,013
Expected Postretirement Benefit Obligation	$ 436,654	$ 104,670	$ 541,324
Plan Assets*			
► Fair value	$ 21,146	$ 7,098	$ 28,244
► Market-related value	21,146	7,098	28,244
Number of Participants			
Retired participants			
► Under 65	1,411	1,269	1,425
► Over 65	2,141	3,800	4,159
► Total	3,552	5,069	5,584
Active and disabled employees			
► Fully eligible for benefits	1,688	1,688	1,688
► Other	2,761	2,761	2,761
► Total	4,449	4,449	4,449
Total participants	8,001	9,518	10,033
Valuation Earnings	$ 425,228	$ 425,228	$ 425,228

* 1993 allocation percentages of 74.87% to medical benefits, 25.13% to Medicare premium is assumed unchanged.

Development of 1994 FAS 106 Expense

(dollars in thousands)

	Medical	Life	Total
FAS 106 Expense			
Service cost	$ 13,581	$ 1,747	$ 15,328
Interest cost	18,812	5,799	24,611
Expected return on plan assets	(2,608)	(4,673)	(7,281)
Amortization of			
▸ Transition obligation (asset)	0	0	0
▸ Prior service cost	0	0	0
▸ Losses (gains)	0	208	208
▸ *Total amortization*	0	208	208
Total FAS 106 expense	$ 29,785	$ 3,081	$ 32,866
▸ Percent of valuation earnings	7.0%	0.7%	7.7%
▸ Per active employee	$ 2,895	$ 299	$ 3,194

	Medical Benefits	Medicare Premium	Total Medical
FAS 106 Expense -- Breakdown for Medical Plans			
Service cost	$ 11,490	$ 2,091	$ 13,581
Interest cost	14,479	4,333	18,812
Expected return on plan assets*	(1,953)	(655)	(2,608)
Amortization of			
▸ Transition obligation (asset)	0	0	0
▸ Prior service cost	0	0	0
▸ Losses (gains)	0	0	0
▸ Total amortization	0	0	0
Total FAS 106 expense	$ 24,016	$ 5,769	$ 29,785
▸ Percent of valuation earnings	5.6%	1.4%	7.0%
▸ Per active employee	$ 2,334	$ 561	$ 2,895

* Return on expected contributions during 1994 allocated in proportion to assets as of January 1, 1994. 1994 asset allocation percentages were assumed unchanged from 1993 levels of 74.87% and 25.13%

Breakdown of FAS 106 Obligations
(dollars in thousands)

	Medical	Life	Total
Accumulated Postretirement Benefit Obligation (APBO)			
In payment			
▸ Retired employees	$ 80,771	$ 50,085	$ 130,856
▸ Dependents and surviving spouses	56,540	0	56,540
▸ Total	137,311	50,085	187,396
Active and disabled employees fully eligible for benefits			
▸ Employees	41,361	14,720	56,081
▸ Dependents	29,727	0	29,727
▸ Total	71,088	14,720	85,808
Other active employees			
▸ Employees	33,097	17,991	51,088
▸ Dependents	21,517	0	21,517
▸ Total	54,614	17,991	72,605
Total APBO			
▸ Employees and retirees	155,229	82,796	238,025
▸ Dependents and surviving spouses	107,784	0	107,784
• Total	$ 263,013	$ 82,796	$ 345,809
Additional Obligation for Future Service			
Active employees			
• Employees	$ 174,268	$ 22,244	$ 196,512
• Dependents	104,043	0	104,043
▸ Total	$ 278,311	$ 22,244	$ 300,555
Expected Postretirement Benefit Obligation			
▸ Employees	$ 329,497	$ 105,040	$ 434,537
▸ Dependents	211,827	0	211,827
▸ Total	$ 541,324	$ 105,040	$ 646,364

Accounting Information as of January 1, 1994

(dollars in thousands)

	Medical	Life	Total
Reconciliation of Funded Status			
Accumulated postretirement benefit obligation (APBO)			
▸ Retired employees	$ (137,311)	$ (50,085)	$ (187,396)
▸ Active and disabled employees fully eligible for benefit	(71,088)	(14,720)	(85,808)
▸ Other active employees	(54,614)	(17,991)	(72,605)
▸ Total	(263,013)	(82,796)	(345,809)
Fair value of assets	28,244	51,711	79,955
Fair value of assets in excess (less than) APBO	(234,769)	(31,085)	(265,854)
Unrecognized amounts			
▸ Transition obligation (asset)	0	0	0
▸ Prior service cost	0	0	0
▸ Accumulated net loss (gain)	(6,405)	11,735	5,330
Prepaid (accrued) FAS 106 expense	$ (241,174)	$ (19,350)	$ (260,524)
Effect of One-Percentage-Point Increase in Medical Trend			
Increase in FAS 106 expense			
▸ Service cost	$ 1,907	$ 0	$ 1,907
▸ Interest cost	1,405	0	1,405
▸ Subtotal	3,312	0	3,312
▸ Amortization	0	0	0
▸ Total	3,312	0	3,312
Increase in APBO			
▸ Retired employees	6,690	0	6,690
▸ Active and disabled employees fully eligible for benefits	4,936	0	4,936
▸ Other active employees	6,542	0	6,542
▸ Total	$ 18,168	$ 0	$ 18,168

Tax Deductible Contribution Limits
(dollars in thousands)

Medical Plan -- VEBA for Bargaining Employees

Benefits funded	
▸ Actives	all
▸ Retirees	all
Values as of January 1, 1994	
Present value of projected benefits	$ 38,281
Assets	10,682
Unfunded amount	27,599
Interest adjustment for middle-of-year payment	1,083
Deductible limit (MOY)	28,682

Note: All amounts reflect inclusion of Columbia Gas Transmission, Columbia Gas of Maryland and Commonwealth Gas Services subsidiaries only.

Medical Plan -- VEBA for Nonbargaining Employees

Benefits funded	
▸ Actives	pre-age 65 benefits for 1/1/92 active employees
▸ Retirees	all benefits for pre-1992 retirees

Values as of January 1, 1994	
Actuarial liability	
▸ Current active and disabled employees	$ 4,202
▸ Retired 1992 or later	4,003
▸ Retired before 1992	26,271
▸ Total	34,476
Expected benefit payments	
▸ Current active and disabled employees	468
▸ Retired 1992 or later	896
▸ Retired before 1992	4,167
▸ Total	5,531
Assets	11,316
Expected Values as of December 31, 1994	
Actuarial liability	
▸ Current active and disabled employees	7,960
▸ Retired 1992 or later	3,303
▸ Retired before 1992	23,426
▸ Total	34,689
Account limit (EOY)	17,439*
Assets	11,938
Allowable increase to account limit	5,501
Interest adjustment for middle-of-year payment	(145)
Benefit payments	5,531
Deductible limit (MOY)	10,887

* Equals actuarial liability at end of year for current actives and post-1991 retirees plus 30% of end-of-year liability for pre-1992 retirees from TCO and CGT and 10% of end-of-year liability for other included subsidiaries.

Note: All amounts reflect inclusion of Columbia Gas Transmission, Columbia Gulf Transmission, Columbia Gas of Maryland and Commonwealth Gas Services subsidiaries only.

Medical Plan — 401(h) Account for Nonbargaining Employees

Benefits funded	
▸ Actives	post-age 65 benefits for 1/1/92 active employees
▸ Retirees	post-age 65 benefits for those retiring after 1/1/92

Values as of January 1, 1994*	
Expected postretirement benefit obligation	$ 28,204
Assets	6,246
Present value of projected service	8.35
Deductible limit -- aggregate normal cost (MOY)	$ 2,733

Calculation of subordination limit (entire plan)	
Normal cost for pension benefits	
▸ 1994	$ 27,368
▸ 1993	27,973
▸ 1992	26,916
▸ Total	82,257
Actual contributions for current pension benefits	
▸ 1994	0
▸ 1993	24,644
▸ 1992	15,081
▸ Total	39,725
One-third of the lesser of the above	13,242
Death benefits to the extent funded	
▸ 1994	0
▸ 1993	373
▸ 1992	228
▸ Total	601
Amounts funded through 401(h)	
▸ 1993	2,585
▸ 1992	2,982
▸ Total	5,567
401(h) contribution limit	7,074

* Reflects inclusion of Columbia Gas Transmission, Columbia Gulf Transmission, Columbia Gas of Maryland and Commonwealth Gas Services subsidiaries only.

Life Insurance Plan -- VEBA

Benefits funded	
▸ Actives	amounts up to $50,000*
• Retirees	amounts up to $50,000*

Values as of January 1, 1994

Expected postretirement benefit obligation	$ 85,333
Assets	51,711
Present value of projected service	8.46
Deductible limit -- aggregate normal cost (MOY)	$ 4,130

* DEFRA limit; may be higher for participants who had reached age 55 on January 1, 1984.

Actuarial Assumptions and Methods

	FAS 106 Expense		Contributions
Economic Assumptions			
Discount rate for benefit obligations	7.0%		8.0%/5.5%*
Return on plan assets			
▸ Medical plan	7.85%*		8.0%/5.5%*
▸ Life insurance plan	9.0%		8.0%
Annual rate of increase in salaries	*Age*	*% increase*	*% increase*
	25	8.0%	8.5%
	40	5.5	6.0%
	55	5.0	5.5%
		averaging 5.5%	averaging 6.0%
Valuation earnings	July 1, 1993 pay rate increased by 3% to approximate earnings on January 1		July 1, 1993 pay rate increased by 3% to approximate earnings on January 1

* Net of tax applicable to non-bargaining medical VEBA; FAS 106 valuation employs a blended rate.

Medical Plans
Average medical plan claims per person were developed based upon a review of actual claims experience for 1991, 1992 and 1993. The average claims figures were adjusted to reflect additional medical trend through the valuation date, and to reflect age-specific patterns expected based upon standard claims distribution tables.

Under Age 65 Claims Distribution

	Retiree	*Spouse*
40-44	N/A	$ 2,204
45-49	N/A	2,419
50-54	N/A	2,786
55-59	$ 3,762	3,216
60-64	4,744	3,688

Medical Assistance Plan Claims Distribution

	Retiree	*Spouse*
65-69	$ 1,037	$ 1,058
70-74	1,145	1,206
75-79	1,319	1,299
80-84	1,445	1,423
85+	1,497	1,474

Annual Retiree Contributions*

	Pre-age 65		Post-age 65	
	Employee	*Spouse*	*Employee*	*Spouse*
Retired before January 1, 1993	$ 0	$ 0	$ 680	$ 680
Retired on or after January 1, 1993	249	266	680	680
Surviving spouse	N/A	1,245	N/A	680

* Amounts reported by the company for 1994; these amounts are projected with medical trend.

Medicare Part B Premium
Reimbursement per retiree $493.20

Medical Trend Assumptions

Year	*Covered Charges*
1994	12.0%
1995	11.0
1996	10.0
1997	9.0
1998	8.5
1999	8.0
2000	7.5
2001	7.0
2002	6.5
2003	6.0
2004	5.5
2005+	5.5

Note: No trend is employed for nonbargaining VEBA results due to tax limit considerations.

Demographic Assumptions

Mortality	1983 Group Annuitants Mortality Table
Disabled mortality	PBGC Disabled Mortality Table for Social Security recipients
Retirement	Rates varying by age; average age at retirement is 60:

Age	*Rate*
55	.14
56	.07
57	.07
58	.10
59	.10
60	.15
61	.15
62	.33
63	.25
64	.20
65	.70
66	.35
67	.35
68	.35
69	1.00

Termination — Rates varying by age; sample rates:

Age	*Rate*
25	.050
35	.018
45	.006
55	--

Disability	50% of 1987 Commissioners' Group Disability Table (6-month incidence rates)
Dependent status (at retirement)	For current actives, 90% of male and 60% of female retirees presumed married at retirement; actual spouse information provided by company for current retirees.

Spouse's age	Wives 3 years younger than husbands.
Surviving spouses	Medical benefits costs for surviving spouses (priced as 50% company paid) were loaded 15% to reflect the cost of first year 100% company-provided benefits.
Participation rates	Retiree under age 65: 100% Dependent medical under age 65: 100% Retiree MAP: 50% Dependent MAP: 50% Life insurance: 100%

Methods

FAS 106 expense	Projected unit credit, allocated from beginning of credited service period to full eligibility date. This is age 45 to age 55 for medical benefits, and full career for life insurance.
Contributions	
▸ Bargaining medical plan VEBA	Funding limit presumed equal to unfunded present value of projected benefits.
▸ Nonbargaining medical plan VEBA	Individual level premium method with entry age equal to later of hire date or January 1, 1992.
▸ Medical plan 401(h)	Aggregate method.
▸ Life insurance plan VEBA	Aggregate method.
Market-related value of assets	Fair value as reported by company.
Benefits not valued	
▸ FAS 106 expense	None.
▸ Contributions	All benefits for key employees and life insurance benefits in excess of DEFRA limits (generally $50,000) were not valued.

Changes in Methods and Assumptions Since Prior Year

- The deductible limit for contributions to the bargaining VEBA is determined to equal the unfunded present value of projected benefits. In the prior valuation the individual level premium funding method was used.
- Medical trend rates were lowered from 14% grading down to 6.5% by the year 2010 to 12% grading down to 5.5% by the year 2004.
- A disability incidence assumption was added, along with a disabled life mortality assumption.
- 60% of female employees are assumed to be married at retirement, instead of 90%. The age difference for female spouses at retirement was lowered from four years to three.
- Medical costs for surviving spouses (priced as 50% company paid) are loaded 15% to provide for the cost of first year 100% company-provided benefits.

Summary of Participant Data

Medical results based on employee data collected as of August 1, 1993. This data was used as a representation of the January 1, 1994 census.

	Medical	Life
Actives		
▸ Number	4,199	10,304
▸ Average age	52.8	42.6
▸ Average service	21.5	15.2
▸ Average pay (actives)	N/A	$ 41,268
▸ Total payroll ($000)	N/A	425,228
Disableds		
▸ Number	250	250
▸ Average age	53.7	53.7
Inactives		
Retired employees and surviving spouses		
▸ Number	5,584	5,393*
▸ Average age	70.6	70.7
Dependents		
▸ Number	4,046	0
▸ Average age	66.4	N/A

* Only retirees eligible for coverage.

Summary of Plan Provisions

Medical Plans

Eligible recipients of benefits include participants who retire from active employment, their spouses and dependents, and spouses of active employees who die while eligible for retirement. Employees must complete 10 years of service after age 45 to be eligible for postretirement medical benefits.

Retiree medical benefits are offered in three categories. They are outlined below.

1. Retired employees and dependents under age 65.

   Participants retiring before January 1, 1993 do not contribute for coverage. Retirees can choose between three indemnity plans and numerous HMOs. Most participants are covered under the Comprehensive Medical Expense Plan-Option A (CMEP-A) indemnity plan before age 65. CMEP-A is a comprehensive major medical plan. Retirees on or after January 1, 1993 will contribute 10% of the cost of coverage. For employees hired on or after January 1, 1993, the contribution will increase to 50% of the cost of coverage.

2. Retired employees and dependents age 65 or over.

   These participants are covered under the Medical Assistance Plan (MAP). This is a Medicare supplement plan, and retirees contribute 50% of the cost for each covered individual. MAP benefits are subject to a $50,000 lifetime maximum per individual.

3. Medicare Part B premiums are paid by Columbia Gas for retirees (but not dependents or spouses). These premiums are paid whether or not retirees participate in MAP.

Survivor coverages are as follows:

Survivors of deceased retirees or of actives who die while eligible to retire receive company-paid coverage for one year and then pay 50% of the cost of the coverage thereafter (regardless of age). The cost for survivors under age 65 is based on a blended active/retiree cost. Survivors of actives ineligible to retire receive company-paid coverage for one year and then pay 100% of the blended active/retiree cost. There are benefit cutbacks in cases of marriage or remarriage.

Life Insurance Plan

1. Eligibility for Participation: Retirees under the retirement plan of The Columbia Gas System, Inc. who were covered for 10 or more years under the group life insurance program for active employees.

2. Retiree Life Insurance Benefits:

   (a) Eligibility: All retirees covered under the plan, at date of death.

   (b) Life Insurance Amount: For employees hired before January 1, 1993, amount from the Schedule of Benefits (approximately 80% of basic annual salary at time of retirement) is payable in a lump sum. For employees hired on or after January 1, 1993, benefits will be 50% of final base pay to a maximum of $50,000.

   (c) Medical Benefits: Life insurance amounts may be reduced at the retiree's election to pay certain catastrophic medical expenses not reimbursed by Medicare or company medical coverage.

SCHEDULE OF BENEFITS
(Employees hired before January 1, 1993)

Basic Annual Salary*		Amount
$ 12,000 but less than	$ 13,750	$ 10,000
13,750 but less than	16,250	12,000
16,250 but less than	18,750	14,000
18,750 but less than	21,250	16,000
21,250 but less than	23,750	18,000
23,750 but less than	26,250	20,000
26,250 but less than	28,750	22,000
28,750 but less than	31,250	24,000
31,250 but less than	33,750	26,000
33,750 but less than	36,250	28,000
36,250 but less than	38,750	30,000
38,750 but less than	41,250	32,000
41,250 but less than	43,750	34,000
43,750 but less than	46,250	36,000
46,250 but less than	48,750	38,000
48,750 but less than	51,250	40,000
51,250 but less than	53,750	42,000
53,750 but less than	56,250	44,000
56,250 but less than	58,750	46,000
58,750 but less than	61,250	48,000
61,250 but less than	63,750	50,000
63,750 but less than	66,250	52,000
66,250 but less than	68,750	54,000
68,750 but less than	71,250	56,000
71,250 but less than	73,750	58,000
73,750 but less than	76,250	60,000

Life Insurance Plan (continued)

Basic Annual Salary*		Amount
$ 76,250 but less than	$ 78,750	$ 62,000
78,750 but less than	81,250	64,000
81,250 but less than	83,750	66,000
83,750 but less than	86,250	68,000
86,250 but less than	88,750	70,000
88,750 but less than	91,250	72,000
91,250 but less than	93,750	74,000
93,750 but less than	96,250	76,000
96,250 but less than	98,750	78,000
98,750 or over		80,000

* Basic Annual Salary is the amount shown on the Employer's records on the last day of the calendar month preceding the last day of active employment. For employees receiving sales commissions, Basic Annual Salary is the average amount for the 12 consecutive calendar months immediately preceding the last day of active employment.

Assets

	January 1, 1994
Medical Plan -- Market values reported by Columbia	
▸ Bargaining VEBA	$ 10,682,000
▸ Nonbargaining VEBA	11,316,000
▸ 401(h) account	6,246,000
• Total	28,244,000
Life Insurance Plan	
▸ Market value reported by Columbia	$ 51,711,000

Actuarial Certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices.

The actuarial assumptions employed in the development of FAS 106 expense have been selected by the plan sponsor, with the concurrence of Towers Perrin. Statement No. 106 of the Financial Accounting Standards Board requires that each significant assumption used shall reflect the best estimate solely with respect to that individual assumption.

The actuarial assumptions and methods employed in the development of the contribution limits have been selected by Towers Perrin with the concurrence of the plan sponsor. These are intended to be in compliance with the requirements of the Internal Revenue Code and applicable regulations.

Gerard C. Mingione, FSA

Elliott I. Cobin, ASA

Steven Brown, ASA

Towers Perrin

May 1994

The Columbia Gas System, Inc.

Retiree Welfare Plans

Appendix:

Allocations to Subsidiaries

Allocation of 1994 FAS 106 Expense by Company -- Medical

(dollars in thousands)

Company	Service Cost	Interest Cost	Expected Return	FAS 106 Expense
10	$ 0	$ 0	$ 0	$ 0
12	815	850	0	1,665
13	242	124	0	366
14	1,007	938	(328)	1,617
15	29	8	0	37
16	54	95	0	149
17	10	4	0	14
18	33	82	0	115
19	0	14	0	14
25	0	51	0	51
32	451	547	0	998
34	4,271	6,204	0	10,475
35	107	178	(20)	265
36	0	0	0	0
37	845	1,847	0	2,692
38	520	610	(73)	1,057
39	0	332	0	332
43	408	338	0	746
51	4,290	6,262	(2,187)	8,365
53	499	328	0	827
	$ 13,581	$ 18,812	$ (2,608)	$ 29,785

Method of Allocation:

- -- Service cost with interest specific to each company.
- -- Expected return allocated based on:
  - (1) 1/1/94 balances
  - (2) expected 1994 advance funding contributions for each subsidiary.
- -- Other interest cost items allocated in proportion to APBO.

Allocation of 1994 FAS 106 Expense by Company -- Life

(dollars in thousands)

Company	FAS 106 Expense
10	$ 2
12	181
13	76
14	172
15	4
16	11
17	1
18	13
19	1
25	6
32	81
34	909
35	23
36	8
37	275
38	102
39	34
43	65
51	1,027
53	90
	$ 3,081

Method of Allocation:

- -- Service cost with interest specific to each company.
- -- All other expense items allocated in proportion to APBO.

Allocation of 1994 FAS 106 Expense by Company -- Total

(dollars in thousands)

Company	FAS 106 Expense
10	$ 2
12	1,846
13	442
14	1,789
15	41
16	160
17	15
18	128
19	15
25	57
32	1,079
34	11,384
35	288
36	8
37	2,967
38	1,159
39	366
43	811
51	9,392
53	917
	$ 32,866

COLUMBIA GAS OF KENTUCKY, INC.
Estimated Medical Cash for Retirees

Plan	No. of Retirees	1994 Rates	1994 Medical	1995 Rates	1995 Medical
CMEP A	56	4,674.12	261,750.72	5,375.28	301,015.68
CMEP B	0	4,881.96	0.00	5,614.20	0.00
CMEP C	2	4,570.32	9,140.64	5,254.68	10,509.36
HMOs	16	4,356.07	69,697.12	5,042.61	80,681.76
MAP	64	680.40	43,545.60	782.52	50,081.28
Medicare B	93	493.20	45,867.60	553.20	51,447.60
Total	231		430,001.68		493,735.68

COLUMBIA GAS OF OHIO, INC.
Estimated Medical Cash for Retirees

Plan	No. of Retirees	1994 Rates	1994 Medical	1995 Rates	1995 Medical
CMEP A	375	4,674.12	1,752,795.00	5,375.28	2,015,730.00
CMEP B	3	4,881.96	14,645.88	5,614.20	16,842.60
CMEP C	15	4,570.32	68,554.80	5,254.68	78,820.20
HMOs	326	4,347.60	1,417,317.60	5,042.61	1,643,890.86
MAP	737	680.40	501,454.80	782.52	576,717.24
Medicare B	963	493.20	474,951.60	553.20	532,731.60
Total	2419		4,229,719.68		4,864,732.50

Insurance Plan
Information from

Columbia Gas of Kentucky

Financial Statements
Page 2A

	12/93	12/92	12/91	12/90	12/89	TOTAL
Total Insurance Plan Expense :						
Line 39	2,144,239	2,040,554	1,569,704	1,536,684	1,280,231	8,571,412
Line 45	516,861	451,521	368,824	341,331	295,329	1,973,866
TOTAL 1	2,661,100	2,492,075	1,938,528	1,878,015	1,575,560	10,545,278
Transferred to Construction and Retirement Projects :						
Line 49	(403,162)	(342,953)	(256,498)	(259,997)	(237,932)	(1,500,542)
Line 50	(13,668)	(10,733)	(18,012)	(15,738)	(6,598)	(64,749)
TOTAL 2	(416,830)	(353,686)	(274,510)	(275,735)	(244,530)	(1,565,291)
TOTAL 2/ TOTAL 1	15.66%	14.19%	14.16%	14.68%	15.52%	14.84% (1)

The above percentages represent the amount of insurance plan expenses transferred to construction and retirement projects for each year indicated, divided by the total expenses recorded for insurance plans for each year net of intercompany billings.

The expenses transferred represents CKY employees' labor as well as a minor amount for intercompany billings, mostly COH.

(1) Five year weighted average percent

COLUMBIA GAS KENTUCKY, INC.
CALCULATION OF OPEB COSTS THROUGH DECEMBER 31, 1994

Calculation of CKY OPEB Obligation @ 12/31/94		Amortization 18 Years
Transition Obligation	6,261,000	
1991 Incremental	538,000	
1992 Incremental	602,058	
1993 Incremental	715,252	
1994 Incremental	550,328	
COH Housekeeping	1,898,080	
Total Gross OPEB @ 12/31/94	10,564,718	586,929
Capitalization Rate (5 Yr. Avg.) @ 14.84%	1,567,804	87,100
OPEB Less Capital	8,996,914	499,829

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COLUMBIA GAS OF KENTUCKY, INC.
ESTIMATED INCREMENTAL OPEB FOR 1994

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL 12/31/94
Accrual	89,916	89,916	89,916	89,916	89,917	89,917	89,917	89,917	89,917	89,917	89,917	89,917	1,079,000
Medical Cash	35,833	35,833	35,833	35,833	35,833	35,833	35,834	35,834	35,834	35,834	35,834	35,834	430,002
Life Cash	8,222	8,222	8,222	8,222	8,222	8,222	8,223	8,223	8,223	8,223	8,223	8,223	98,670
1994 Incremental	45,861	45,861	45,861	45,861	45,862	45,862	45,860	45,860	45,860	45,860	45,860	45,860	550,328

COLUMBIA GAS OF KENTUCKY, INC.
ESTIMATED INCREMENTAL OPEB FOR 1995

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL 12/31/95
Accrual	92,750	92,750	92,750	92,750	92,750	92,750	92,750	92,750	92,750	92,750	92,750	92,750	1,113,000
Medical Cash	41,144	41,144	41,144	41,144	41,145	41,145	41,145	41,145	41,145	41,145	41,145	41,145	493,736
Life Cash	8,433	8,433	8,433	8,433	8,433	8,433	8,433	8,433	8,434	8,434	8,434	8,434	101,200
1995 Incremental	43,173	43,173	43,173	43,173	43,172	43,172	43,172	43,172	43,171	43,171	43,171	43,171	518,064

COLUMBIA GAS OF OHIO, INC.
CALCULATION OF OPEB COSTS THROUGH DECEMBER 31, 1994

Calculation of COH OPEB Obligation @ 12/31/94

Transition Obligation	72,312,000	CKY	7.53%	1,617,139
1991 Incremental	6,690,000	COH	60.64%	13,023,017
1992 Incremental	6,901,808	CMD	2.74%	588,441
		CPA	20.29%	4,357,471
COH OPEB Obligation @ 12/31/92	85,903,808	COS	8.80%	1,889,884
Based on analysis performed 12/31/92	21,475,952			
1993 Incremental	7,986,333	CKY	7.87%	280,941
1994 Incremental	6,012,749	COH	58.42%	2,085,457
		CMD	3.49%	124,585
COH OPEB Obligation – 1993 and 1994	13,999,082	CPA	20.92%	746,795
		COS	9.30%	331,988
OPEB costs related to housekeeping @ 25.5%				
Based on analysis performed 12/31/93	3,569,766	TOTAL	100.00%	3,569,766
		CKY		1,898,080
		COH		15,108,475
		CMD		713,026
		CPA		5,104,266
		COS		2,221,872
		TOTAL		25,045,718

COLUMBIA GAS OF OHIO, INC.
ESTIMATED INCREMENTAL OPEB FOR 1994

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL 12/31/94
Accrual	948,000	948,000	948,000	948,000	949,000	949,000	949,000	949,000	949,000	949,000	949,000	949,000	11,384,000
Medical Cash	352,476	352,476	352,476	352,477	352,477	352,477	352,477	352,477	352,477	352,477	352,477	352,477	4,229,721
Life Cash	82,553	82,553	82,553	99,319	99,319	99,319	99,319	99,319	99,319	99,319	99,319	99,319	1,141,530
1994 Incremental	512,971	512,971	512,971	496,204	497,204	497,204	497,204	497,204	497,204	497,204	497,204	497,204	6,012,749

COLUMBIA GAS OF OHIO, INC.
ESTIMATED INCREMENTAL OPEB FOR 1995

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL 12/31/95
Accrual	978,500	978,500	978,500	978,500	978,500	978,500	978,500	978,500	978,500	978,500	978,500	978,500	11,742,000
Medical Cash	405,394	405,394	405,394	405,394	405,394	405,394	405,394	405,394	405,395	405,395	405,395	405,395	4,864,732
Life Cash	97,567	97,567	97,567	97,567	97,567	97,567	97,567	97,567	97,566	97,566	97,566	97,566	1,170,800
1995 Incremental	475,539	475,539	475,539	475,539	475,539	475,539	475,539	475,539	475,539	475,539	475,539	475,539	5,706,468

COLUMBIA GAS DISTRIBUTION COMPANIES
OTHER POSTRETIREMENT EMPLOYEE BENEFITS
1992

	VEBA	MEDICAL CASH PAYMENTS							
	Contrib (1)	January (2)	February (3)	March (4)	April (5)	May (6)	June (7)	July (8)	August (9)
KY	78,741	27,122	25,496	31,620	25,578	22,080	27,889	31,758	27,903
OH	818,625	268,364	255,129	290,975	245,686	221,905	261,539	291,593	259,260
MD	16,752	15,709	14,232	19,243	14,235	11,609	13,761	16,081	13,903
PA	238,194	105,343	99,600	122,526	96,643	83,465	102,540	115,468	99,281
OS	101,505	23,472	21,502	27,412	20,761	18,086	22,889	26,371	22,298
TOTAL	1,253,817	440,010	415,959	491,776	404,903	357,145	428,618	481,271	422,645

	MEDICAL CASH PAYMENTS				RETIREE CONTRIBUTIONS			Total Pay-as-you-Go	1992	Total 1992
	September (10)	October (11)	November (12)	December (13)	HMO (14)	CMEP A (15)	MAP (16)	1992 (17)=Sum(1-16)	Accrual (18)	Deferral (19)=(18)-(17)
KY	29,663	32,666	29,011	34,645	(852.36)	(11,598.60)	(25,579.16)	385,941.88	988,000	602,05
OH	273,084	293,590	279,173	314,999	(34,704.63)	(52,472.93)	(326,552.70)	3,660,191.74	10,562,000	6,901,80
MD	15,080	16,982	14,618	17,940	0.00	(1,053.30)	(10,106.91)	188,884.79	260,000	71,11
PA	106,114	118,924	111,057	131,567	(3,428.04)	(25,743.25)	(109,649.30)	1,395,901.41	2,814,000	1,418,09
OS	23,838	26,627	23,684	28,246	(432.94)	(2,081.76)	(28,872.25)	355,304.05	1,121,000	765,69
TOTAL	449,679	488,789	457,443	527,297	(39,417.97)	(92,949.84)	(500,760.32)	5,986,223.87	15,745,000	9,758,77

22-Feb-94

COLUMBIA GAS DISTRIBUTION COMPANIES
OTHER POSTRETIREMENT EMPLOYEE BENEFITS
1993

	VEBA	MEDICAL CASH PAYMENTS												RETIREE CONTRIBUTIONS			Total Pay-as-you-Go	1993 YTD	Total 1993
	Contrib	January	February	March	April	May	June	July	August	September	October	November	December	HMO	CMEP A	MAP	1993	Accrual	Deferral
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	17)=Sum(1-16	(18)	(19)=(18)-(17)
:KY	72,200	46,094	41,448	38,719	34,108	33,664	35,167	33,849	35,623	34,706	34,088	36,851	33,690	(998)	(10,890)	(34,571)	463,748	1,179,000	715,252
:OH	835,798	411,982	373,752	352,609	327,379	319,143	330,937	322,294	336,732	330,854	320,303	339,231	325,703	(35,583)	(56,935)	(410,532)	4,423,667	12,410,000	7,986,333
:MD	22,759	25,233	22,247	20,613	18,485	17,730	18,961	17,359	18,057	17,883	17,419	18,885	16,281	0	(2,351)	(14,680)	234,881	328,000	58,887
:PA	258,980	178,299	158,111	149,633	135,652	131,598	138,100	134,326	141,888	139,615	136,027	147,799	136,841	(6,579)	(28,016)	(142,493)	1,809,781	3,281,000	1,471,219
:OS	89,466	39,909	35,138	34,093	30,374	29,635	31,270	29,716	32,232	31,388	30,419	33,442	31,254	0	(7,086)	(38,813)	432,437	1,383,000	205,452
'OTAL	1,279,203	701,517	630,696	595,667	545,998	531,770	554,435	537,544	564,532	554,446	538,256	576,208	543,769	(43,160)	(105,278)	(641,089)	7,364,514	18,581,000	10,437,143

* COS is no longer deferring OPEB costs as of 5/31/93 as a result of interim rates placed into effect 6/1/93. The following is a calculation of the 1993 portion of the total deferral:

1993 Accrual (Jan.-May)	543,350
Less: 1993 Medical Cash Payments (shown above Jan.-May)	169,149
Less: Retiree Contributions (Jan.-May)	(16,844)
Less: Life Cash (Jan.-May)	37,274
Total Difference - Between Cash and Expense	353,771
Less: Capitalization @ 16.15%	57,134
Net	296,637
Less: Write 20 Year Write off	148,318
Plus: Capitalization @ 16.15%	57,134
Total 1993 COS Deferral	205,452

* CMD is no longer deferring OPEB costs as of 9/30/93 as a result of rates placed into effect 10/1/93. The following is a calculation of the 1993 portion of the total deferral.

1993 Accrual (Jan.-Sept.)	239,950
Less: 1993 Medical Cash Payments (shown above Jan.-Sept.)	176,568
Less: Retiree Contributions (Jan.-Sept.)	(12,573)
Less: Life Cash (Jan.-Sept.	17,068
Total Difference - Between Cash and Expense	58,887

:\93opeb.wk1

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JAUARY 25, 2007

Question No. 49

Provide complete details of Columbia's financial reporting and rate-making treatment of SFAS No. 112, including:

a. The date that Columbia adopted SFAS No. 112.

b. All accounting entries made at the date of adoption.

c. All actuarial studies and other documents used to determine the level of SFAS No. 112 cost recorded by Columbia.

Response of Columbia Gas of Kentucky:

Columbia of Kentucky adopted SFAS No. 112 in January 1994. The entry to recognize the liability was made as follows:

Debit	Regulatory Asset (acct 182)	$697,000	
	Credit SFAS No. 112 ST liability		$50,000
	Credit SFAS No. 112 LT liability		$647,000

Additionally, at a later date, the portion of the Columbia of Ohio SFAS No. 112 liability related to the General Office housekeeping function was allocated to Columbia of Kentucky as follows:

Debit	Regulatory Asset (acct 182)	$57,646	
	Credit Payable to Columbia of Ohio		$57,646

The remaining attached documents provide the support for the above entries.

The rate treatment for SFAS No. 112 costs per the 1994 stipulation included $34,353 per year amortization for 19 years. The current filing includes the amortization at the same rate.

System

Jeffrey W. Grossman
Assistant Controller

RECEIVED

MAR 16 1994

W.J. LAVELLE

March 15, 1994
No. 7-94

To: ALL TREASURERS

Subject: Accounting for the Adoption of SFAS No. 112 (Revised)

Gentlemen:

As a result of a change to the retirement age assumption for Long-Term Disability (LTD) participants, revised figures are being provided for the adoption of SFAS No. 112. Please note the revisions may not be proportional to the original figures provided due to the age distribution of the LTD participants from your company.

All Treasurers Letter No. 2-94 provided the original figures and the relevant accounting treatment. Accordingly, the effect of the revisions discussed above should be accounted for in the same manner. The attached schedules detail, line-by-line, the adjustments and resulting balances that should be reflected in February 1994's business.

If you have any questions concerning these entries, please contact Harry Shelton or Steve MacQueen in Wilmington.

Very truly yours,

Attachments

94014.jwg/scb

Columbia Gas System Service Corporation, 20 Montchanin Rd., P.O. Box 4020
Wilmington, DE 19807-0020

Columbia Gas System, Inc. and Subsidiaries
Adoption of SFAS No. 112 – Accounting for Postemployment Benefits (Revised)

		Deferred Charge 182-3000 or Change in Accounting Principle 435-0004		
Company Number	Company Symbol	As Previously Provided in AT Letter 2-94	Revision Adjustment	Revised Balance As of 2/28/94
11	CG	15,000	52,000	67,000
12	CS	524,000	319,000	843,000
13	CGD	217,000	65,000	282,000
14	CGT	1,002,000	524,000	1,526,000
15	IGC	0	0	0
16	CPC	120,000	135,000	255,000
17	TVC	0	0	0
18	CLG	12,000	38,000	50,000
19	CGC	0	0	0
32	CKY	463,000	234,000	697,000
34	COH	1,932,000	1,502,000	3,434,000
35	CMD	0	0	0
37	CPA	1,035,000	493,000	1,528,000
38	COS	22,000	47,000	69,000
43	CPI	128,000	155,000	283,000
51	TCO	3,014,000	1,785,000	4,799,000
53	CNR	286,000	325,000	611,000
	Total	8,770,000	5,674,000	14,444,000

		Postemployment Benefit Current 242-0080		
Company Number	Company Symbol	As Previously Provided In AT Letter 2-94	Revision Adjustment	Revised Balance As of 2/28/94
11	CG	3,000	15,000	18,000
12	CS	42,000	15,000	57,000
13	CGD	11,000	0	11,000
14	CGT	80,000	5,000	85,000
15	IGC	0	0	0
16	CPC	12,000	10,000	22,000
17	TVC	0	0	0
18	CLG	6,000	0	6,000
19	CGC	0	0	0
32	CKY	30,000	20,000	50,000
34	COH	184,000	142,000	326,000
35	CMD	0	0	0
37	CPA	75,000	34,000	109,000
38	COS	9,000	10,000	19,000
43	CPI	23,000	5,000	28,000
51	TCO	254,000	98,000	352,000
53	CNR	36,000	20,000	56,000
	Total	765,000	374,000	1,139,000

Company Number	Company Symbol	Postemployment Benefit Non–current 253–0080: As Previously Provided In AT Letter 2–94	Revision Adjustment	Revised Balance As of 2/28/94
11	CG	12,000	37,000	49,000
12	CS	482,000	304,000	786,000
13	CGD	206,000	65,000	271,000
14	CGT	922,000	519,000	1,441,000
15	IGC	0	0	0
16	CPC	108,000	125,000	233,000
17	TVC	0	0	0
18	CLG	6,000	38,000	44,000
19	CGC	0	0	0
32	CKY	433,000	214,000	647,000
34	COH	1,748,000	1,360,000	3,108,000
35	CMD	0	0	0
37	CPA	960,000	459,000	1,419,000
38	COS	13,000	37,000	50,000
43	CPI	105,000	150,000	255,000
51	TCO	2,760,000	1,687,000	4,447,000
53	CNR	250,000	305,000	555,000
	Total	8,005,000	5,300,000	13,305,000

5

10-Jan-94

Columbia Gas of Kentucky

Calculation of Postemployment Benefit
Obligation for LTD Participants

DAP	1993	1994
Monthly	33.37	38.47
Annual	400.44	461.64
Increase		10.00%

Calculation assumes DAP to age 65

Discount Rate 7.00%

LTD Age	Years Eligible	# of LTD's	Reassignment of Years of Eligibility	Total Eligible	Running Total	Years	Future Costs (Discounted)
69	0	0		0	10		
68	0	0		0	10		
67	0	0		0	10		
66	0	0		0	10		
65	0	0		0	10		
64	1	0		0	10	1994	4,616
63	2	1		1	10	1995	4,746
62	3	0		0	9	1996	4,391
61	4	2		2	9	1997	4,514
60	5	0		0	7	1998	3,609
59	6	0		0	7	1999	3,711
58	7	0		0	7	2000	3,815
57	8	1		1	7	2001	3,922
56	9	1		1	6	2002	3,456
55	10	0		0	5	2003	2,960
54	11	0		0	5	2004	3,043
53	12	1		1	5	2005	3,129
52	13	0		0	4	2006	2,573
51	14	1		1	4	2007	2,645
50	15	0		0	3	2008	2,040
49	16	0		0	3	2009	2,097
48	17	0		0	3	2010	2,156
47	18	0		0	3	2011	2,216
46	19	0		0	3	2012	2,278
45	20	0		0	3	2013	2,342
44	21	0		0	3	2014	2,408
43	22	0		0	3	2015	2,475
42	23	0		0	3	2016	2,545
41	24	0		0	3	2017	2,616
40	25	1		1	3	2018	2,689
39	26	0		0	2	2019	1,843
38	27	0		0	2	2020	1,895
37	28	0		0	2	2021	1,948
36	29	0		0	2	2022	2,003
35	30	0		0	2	2023	2,059
34	31	0		0	2	2024	2,116
33	32	0		0	2	2025	2,176
32	33	1		1	2	2026	2,237
31	34	0		0	1	2027	1,150
30	35	0		0	1	2028	1,182
29	36	1		1	1	2029	1,215
28	37	0		0	0	2030	0
27	38	0		0	0	2031	0

Sum of DAP Costs (Discounted) 96,814

17-Mar-94

Columbia Gas of Kentucky

Calculation of Postemployment Benefit
Obligation for LTD Participants

CMEP	1993	1994
Monthly	411.00	406.83
Annual	4,932.00	4,881.96

Calculation assumes CMEP to age 62
Discount Rate 7.00%

LTD Age	Years Eligible	# of LTD's	Reassignment of Years of Eligibility	Total Eligible	Running Total	Years	(a) Medical Trend Assumptions	Future Costs (Discounted)
69	0	0		0				
68	0	0		0				
67	0	0		0				
66	0	0		0				
65	0	0		0				
64	0	0		0				
63	0	1		0				
62	1	0		0	9			
61	2	2		2	9	1994		43,938
60	3	0		0	7	1995	11.00%	35,451
59	4	0		0	7	1996	10.00%	36,445
58	5	0		0	7	1997	9.00%	37,126
57	6	1		1	7	1998	8.50%	37,647
56	7	1		1	6	1999	8.00%	32,570
55	8	0		0	5	2000	7.50%	27,269
54	9	0		0	5	2001	7.00%	27,269
53	10	1		1	5	2002	6.50%	27,141
52	11	0		0	4	2003	6.00%	21,510
51	12	1		1	4	2004	5.50%	21,209
50	13	0		0	3	2005	5.50%	15,683
49	14	0		0	3	2006	5.50%	15,464
48	15	0		0	3	2007	5.50%	15,247
47	16	0		0	3	2008	5.50%	15,033
46	17	0		0	3	2009	5.50%	14,822
45	18	0		0	3	2010	5.50%	14,615
44	19	0		0	3	2011	5.50%	14,410
43	20	0		0	3	2012	5.50%	14,208
42	21	0		0	3	2013	5.50%	14,009
41	22	0		0	3	2014	5.50%	13,812
40	23	1		1	3	2015	5.50%	13,618
39	24	0		0	2	2016	5.50%	8,952
38	25	0		0	2	2017	5.50%	8,826
37	26	0		0	2	2018	5.50%	8,702
36	27	0		0	2	2019	5.50%	8,580
35	28	0		0	2	2020	5.50%	8,460
34	29	0		0	2	2021	5.50%	8,342
33	30	0		0	2	2022	5.50%	8,225
32	31	1		1	2	2023	5.50%	8,109
31	32	0		0	1	2024	5.50%	3,998
30	33	0		0	1	2025	5.50%	3,942
29	34	1		1	1	2026	5.50%	3,887
28	35	0		0	0	2027	5.50%	0
27	36	0		0	0	2028	5.50%	0
			Sum of CMEP Costs (Discounted)					588,519

(a) The medical trend assumptions are those used in the OPEB calculation for the "Under Age 65" group only.

ltd93

10-Jan-94

Columbia Gas of Kentucky

Calculation of Postemployment Benefit
Obligation for LTD Participants

GLIP	1993	1994	
Monthly	0.34	0.34	(per $1,000)
Annual	4.04	4.04	(per $1,000)
Increase	-	-	

Assumes GLIP coverage to age 55
Assumes 60% of GLIP from 55 to 65

Discount Rate 7.00%

LTD Age	Life Ins.	GLIP Total	Reassignment of Years of Eligibility	Retiree Life Total	Years to Age 55	Years B/W 55 & 65	Years	Future Costs (Discounted)
69	0	-			0	0		
68	0	-			0	0		
67	0	-			0	0		
66	0	-			0	0		
65	0	-			0	0		
64	0	392,000		327,200	0	1	1,994	1,323
63	16,000	392,000		327,200	0	2	1,995	1,237
62	0	376,000		317,600	0	3	1,996	1,122
61	61,000	376,000		297,600	0	4	1,997	982
60	0	315,000		261,000	0	5	1,998	805
59	0	315,000		243,000	0	6	1,999	701
58	0	315,000		243,000	0	7	2,000	655
57	55,000	315,000		243,000	0	8	2,001	612
56	30,000	260,000		210,000	0	9	2,002	494
55	0	230,000		192,000	0	10	2,003	422
54	0	230,000		192,000	1	10	2,004	395
53	50,000	230,000		192,000	2	10	2,005	369
52	0	180,000		162,000	3	10	2,006	291
51	45,000	180,000		162,000	4	10	2,007	272
50	0	135,000		135,000	5	10	2,008	212
49	0	135,000		135,000	6	10	2,009	198
48	0	135,000		117,000	7	10	2,010	160
47	0	135,000		117,000	8	10	2,011	150
46	0	135,000		117,000	9	10	2,012	140
45	0	135,000		117,000	10	10	2,013	131
44	0	135,000		117,000	11	10	2,014	122
43	0	135,000		117,000	12	10	2,015	114
42	0	135,000		117,000	13	10	2,016	107
41	0	135,000		117,000	14	10	2,017	100
40	45,000	135,000		97,000	15	10	2,018	77
39	0	90,000		70,000	16	10	2,019	52
38	0	90,000		70,000	17	10	2,020	49
37	0	90,000		54,000	18	10	2,021	35
36	0	90,000		54,000	19	10	2,022	33
35	0	90,000		54,000	20	10	2,023	31
34	0	90,000		54,000	21	10	2,024	29
33	0	90,000		54,000	22	10	2,025	27
32	50,000	90,000		54,000	23	10	2,026	25
31	0	40,000		24,000	24	10	2,027	10
30	0	40,000		24,000	25	10	2,028	10
29	40,000	40,000		24,000	26	10	2,029	9
28	0	0		0	27	10	2,030	0
27	0	0		0	28	10	2,031	0

Sum of Life Insurance Costs (Discounted) 11,500

COLUMBIA GAS OF OHIO, INC.
SFAS-112
1993

COH - SFAS 112		1,932,000
PERCENT RELATED TO 16 GENERAL OFFICE LTD EMPLOYEES 21.33%		412,096

	ALLOCATION	BILLINGS TO CDC
CKY	7.87%	32,432
COH	58.42%	240,746
CMD	3.49%	14,382
CPA	20.92%	86,210
COS	9.30%	38,325
	TOTAL	412,096

COLUMBIA GAS OF OHIO, INC.
SFAS-112 ADJUSTMENT
1993

COH - SFAS 112		1,502,000
PERCENT RELATED TO 16 GENERAL OFFICE LTD EMPLOYEES 21.33%		320,377
	ALLOCATION	BILLINGS TO CDC
CKY	7.87%	25,214
COH	58.42%	187,164
CMD	3.49%	11,181
CPA	20.92%	67,023
COS	9.30%	29,795
	TOTAL	320,377

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JAUARY 25, 2007

Question No. 50

Provide complete details of Columbia's financial reporting and rate-making treatment of SFAS No. 143, including:

a. The date that Columbia adopted SFAS No. 143.

b. All accounting entries made at the date of adoption.

c. All studies and other documents used to determine the level of SFAS No. 143 cost recorded by Columbia.

d. A schedule comparing the depreciation rates utilized by Columbia prior to and after the adoption of SFAS 143. The schedule should identify the assets corresponding to the affected depreciation rates.

Response of Columbia Gas of Kentucky:

a) NiSource (parent company of Columbia) adopted the provisions of SFAS No. 143 on January 1, 2003. NiSource's adoption included Columbia. The adoption was for GAAP (Generally Accepted Accounting Principles) books only.
b) No accounting entries were recorded on Columbia's regulatory books.
c) NA
d) There was no change to the depreciation rates utilized by Columbia.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JANUARY 25, 2007

Question No. 51

Provide the following information concerning the costs for the preparation of this case:

a. A detailed schedule of expenses incurred to date for the following categories:

(1) Accounting;
(2) Engineering;
(3) Legal;
(4) Consultants;
(5) Other Expenses (Identify separately).

For each category, the schedule shall include the date of each transaction, check number or other document reference, the vendor, the hours worked the rates per hour, amount, a description of the services performed, and the account number in which the expenditure was recorded. Provide copies of any invoices, contracts, or other documentation which support charges incurred in the preparation of this rate case.

Indicate any costs incurred for this case that occurred during the test year.

b. An itemized estimate of the total cost to be incurred for this case. Expenses shall be broken down into the same categories as identified in (a) above, with an estimate of the hours to be worked and the rates per hour. Include a detailed explanation of how the estimate was determined, along with all supporting workpapers and calculations.

c. During the course of this proceeding, provide monthly updates of the actual costs incurred, in the manner requested in (a) above. Updates will be due the last business day of each month, through the month of the public hearing.

Response of Columbia Gas of Kentucky:

a. Refer to PSC0051 Attachment a for a detailed schedule of expenses incurred to date for the following categories: Accounting, Engineering, Legal, Consultants and Other Expenses. Also provided are copies of invoices and other documentation to support charges referenced on PSC0051 Attachment a.

b. Refer to PSC0051 Attachment b for an itemized estimate of the total costs to be incurred in this rate case. Expenses have been identified by the following categories: Accounting, Engineering, Legal, Consultant, or Other Expenses.

   This estimate of costs to be incurred in this rate case was determined by the following factors:
   1) an estimate of consultant fees,
   2) actual year-to-date dollars charged to the rate case account relating to labor and overhead for Corporate Services' legal and accounting staff support,
   3) an estimate of future labor and overhead expense from Corporate Service legal and accounting staff, with consideration of an anticipated procedural schedule in this case,
   4) an estimate of cost of publishing the newspaper notices, and
   5) an estimate of miscellaneous expense for supplies, duplicating and travel expense for witnesses.

c. Monthly updates of actual costs incurred will be provided during the course of this proceeding.

Columbia Gas of Kentucky, Inc.

Case No. 2007-00008

Rate Case Expenses

Line No.	Description	Year 2006	Year 2007	Total
1	Accounting	0.00	0.00	0.00
2	Engineering	0.00	0.00	0.00
3	Legal	0.00	0.00	0.00
4	Consultants	9,875.00	0.00	9,875.00
5	Other Expenses :			
6	Employee Travel	0.00	0.00	0.00
7	Duplicating	0.00	0.00	0.00
8	Postage Fees	0.00	0.00	0.00
9				
10	Total	9,875.00	0.00	9,875.00

Columbia Gas of Kentucky, Inc.

Case No. 2007-00008

Rate Case Expenses for
Corporate Services' Labor/Benefits/Overhead
For the Period of December 2006 - April 2007

MONTH (MM/YY)	AMOUNT ($)	TOTAL HOURS
December-06	9,875.00	98.50
January-07	0.00	0.00
February-07	0.00	0.00
March-07	0.00	0.00
April-07	0.00	0.00
Total	9,875.00	98.50

PSC0051 ATTACHMENT a

INVOICES AND OTHER SUPPORTING DOCUMENTATION
FOR ACCOUNT 182

COLUMBIA GAS OF KENTUCKY, INC.

ACCOUNTS PAYABLE
CASH VOUCHER

VOUCHER Z-B-0331

PERIOD 11/06

BUS UNIT CD200

11/28/2006

INVOICE

Project: 047531

Date: November 7, 2006

NiSource - Columbia Gas of Kentucky
Attn: Mr. Kevin Sollie, Depreciation Manager
P.O. Box 117
Columbus, OH 43215-0117

GANNETT FLEMING, INC.
VALUATION AND RATE DIVISION

P.O.BOX 67100
HARRISBURG, PA 17106-7100
(717) 763-7211

Send check payments to:
Gannett Fleming Companies
P.O. Box 829160
Philadelphia, PA 19182-9160

Federal E.I.N. 25-1613591

Send ACH/EFT payments to:
ABA: 031312738
Acct. No: 5003165655
Acct. Name: Gannett Fleming Companies

Invoice: 047531*74

Invoice Period: September 30, 2006 through October 27, 2006

Depreciation Study

Summary of Current Charges

Part A – DEPRECIATION STUDY	$	3,430.00
Total Charges	$	3,430.00

Total Due This Invoice $3,430.00

11/28/2006

DATE 11/20 2006 ACCOUNT CLASSIFICATION P.O. No.

USED FOR: DEPT

CO.	GEN	AUX	CE	PROJ	ACTIV	FACIL	HCC	TCC	LOB	AMOUNT
32	182	3599	3D10	RCK07	12921					

APPROVED BY: Robert A. [illegible] 11 1 2006

Kevin Sollie 11/20/06

Project Manager: John J. Spanos

GANNETT FLEMING, INC.
VALUATION AND RATE DIVISION

Invoice Date: November 7, 2006
Invoice No: 047531*74

Project: 047531 NiSource - Columbia Gas of Kentucky

Part A -- DEPRECIATION STUDY

Labor Costs *Labor Classification*	*Hours*	*Rate*	*Amount*	
Analysts And Engineers	19.50	$ 110.00	$ 2,145.00	
Associate Analyst	10.00	80.00	800.00	
John J. Spanos	1.00	160.00	160.00	
Support Staff	5.00	65.00	325.00	
	Total Labor Costs			$ 3,430.00
	Current Charges for Part A			$ 3,430.00

11/28/2006

COLUMBIA GAS OF KENTUCKY, INC.

12/18/2006

ACCOUNTS PAYABLE
CASH VOUCHER

VOUCHER	Z-C-0240
PERIOD	12/06
BUS UNIT	CD200

INVOICE

Project: 047531

Date: December 7, 2006

NiSource - Columbia Gas of Kentucky
Attn: Mr. Kevin Sollie, Depreciation Manager
P.O. Box 117
Columbus, OH 43215-0117

GANNETT FLEMING, INC.
VALUATION AND RATE DIVISION

P.O.BOX 67100
HARRISBURG, PA 17106-7100
(717) 763-7211

Send check payments to:
Gannett Fleming Companies
P.O. Box 829160
Philadelphia, PA 19182-9160

Federal E.I.N. 25-1613591

Send ACH/EFT payments to:
ABA: 031312738
Acct. No: 5003165655
Acct. Name: Gannett Fleming Companies

Invoice: 047531*48

Invoice Period: October 28, 2006 through November 24, 2006

Depreciation Study

Summary of Current Charges

Part A – *DEPRECIATION STUDY*	$	6,445.00
Total Charges	$	6,445.00

Total Due This Invoice $6,445.00

12/18/2006

Kevin Sollie 12/14/06

DATE 12/12/06 ACCOUNT CLASSIFICATION P.O. No. ______

USED FOR: ______ DEPT. ______

CO.	GEN	AUX	CE	PROJ	ACTIV	FACIL	HCC	TCC	LOB	AMOUNT
32	182	3599	3D10	RCK07	12921					6445 00

APPROVED BY: ______ ______ 06

Project Manager: John J. Spanos

GANNETT FLEMING, INC.
VALUATION AND RATE DIVISION

Invoice Date: December 7, 2006
Invoice No: 047531*48

Project: 047531 NiSource - Columbia Gas of Kentucky

Part A -- DEPRECIATION STUDY

Labor Costs

Labor Classification	*Hours*	*Rate*	*Amount*
Analysts And Engineers	31.00	$ 110.00	$ 3,410.00
Assistant Analysts And Engineers	1.00	75.00	75.00
Associate Analyst	25.00	80.00	2,000.00
John J. Spanos	6.00	160.00	960.00

Total Labor Costs $ **6,445.00**

Current Charges for Part A $ **6,445.00**

12/18/2006

Columbia Gas of Kentucky, Inc.

Case No. 2007-00008

Estimated Rate Case Expenses

Line No.	Description	Estimated Amount	Total
1	Accounting	0.00	0.00
2	Engineering	0.00	0.00
3	Legal	25,000.00	25,000.00
4	Consultants	198,000.00	198,000.00
5	Other Expenses	32,000.00	32,000.00
7			0.00
6	Total	255,000.00	255,000.00

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JANUARY 25, 2007**

Question No. 52

Provide a copy of Columbia's most recent depreciation study. If no such study exists, provide a copy of Columbia's most recent depreciation schedule, including: a list of all pipeline and related facilities by account number; service life and accrual rate for each; the methodology which supports the schedule; and the date the schedule was last updated.

Response of Columbia Gas of Kentucky:

A depreciation study was conducted by the Valuation and Rate Division of Gannett Fleming, Inc. as of December 31, 2005. The study was submitted as part of the application filed on February 01, 2007, under Tab 32.

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JANUARY 25, 2007**

Question No. 53

Describe the status of any outstanding recommendations relating to gas operations contained in Columbia's last management audit. Identify any savings or costs related to management audit recommendations, the impact of which are not already reflected in the test year of this case.

Response of Columbia Gas of Kentucky:

Columbia has no outstanding recommendations from its last management audit. Columbia's actions to implement the recommendations contained in the November 2002 Final Report were placed in the completed status as of August 3, 2006. The impact of all recommendations is reflected in the test year in this case.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED JANUARY 25, 2007

Question No. 54

Does Columbia have any gas demand side management ("DSM") programs? If yes, provide the following information:

a. Describe the status of the gas DSM programs during and as test-year end.

b. Identify the revenues and expense associated with Columbia's gas DSM programs during the test year. Include the account number used to record revenue and expense transactions for the gas DSM programs.

Response of Columbia Gas of Kentucky:

Columbia does not have any DSM programs.