CASE NUMBER:

99-165

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

August 6, 1999

To: All parties of record

RE: Case No. 99-165

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

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

Honorable Anthony G. Martin
Attorney at Law
P. O. Box 1812
Lexington, KY 40593

Honorable Richard S. Taylor
Attorney at Law
Capital Link Consultants
315 High Street
Frankfort, KY 40601

Mr. Jack Burch
Community Action Council for
Lexington-Fayette, Bourbon, Harrison
& Nicholas Counties
P. O. Box 11610
892 Georgetown Street
Lexington, KY 40576

Honorable David F. Boehm
Attorney at Law
Boehm, Kurtz & Lowry
3110 CBLD Center
36 East Seventh Street
Cincinnati, OH 45202

Richard S. Minch
Manager, Regulatory Services
Columbia Gas of Kentucky, Inc.
2001 Mercer Road
P. O. Box 14241
Lexington, KY 40512 4241

Mr. Edward W. Gardner
Lex-Fayette Urban County Government
200 East Main Street
Lexington, KY 40507

Honorable Douglas M. Brooks
Counsel for LG&E Energy Corp.
Louisville Gas and Electric Company
220 West Main Street
P.O. Box 32010
Louisville, KY 40232

Commonwealth Energy Services
745 West Main - 5th Floor
Louisville, KY 40202

Hon. John M. Dosker
In House Counsel
Stand Energy Corporation
1077 Celestial Street
Suite #110
Cincinnati, OH 45202

FSG Energy Services
6797 North High Street
Suite 314
Worthington, OH 43085

Hon. Edward W. Gardner
Director of Litigation
LEXINGTON-FAYETTE URBAN
COUNTY GOVERNMENT
Department of Law
200 East Main Street
Lexington, KY 40507

Honorable Ann Louise Cheuvront
Assistant Attorney General
Civil & Environmental Division
Public Service Litigation Branch
1024 Capital Center Drive
Frankfort, KY 40602

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF COLUMBIA GAS OF KENTUCKY, INC. TO IMPLEMENT A SMALL VOLUME GAS TRANSPORTATION SERVICE, TO CONTINUE ITS GAS COST INCENTIVE MECHANISMS, AND TO CONTINUE ITS CUSTOMER ASSISTANCE PROGRAM	)	CASE NO. 99-165

O R D E R

This matter arising upon the motion of the Lexington-Fayette Urban County Government ("LFUCG"), filed July 30, 1999, for full intervention, and it appearing to the Commission that the LFUCG has a special interest which is not otherwise adequately represented, and that such intervention is likely to present issues and develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings, and this Commission being otherwise sufficiently advised,

IT IS HEREBY ORDERED that:

1. The motion of the LFUCG to intervene is granted.

2. The LFUCG shall be entitled to the full rights of a party and shall be served with the Commission's Orders and with filed testimony, exhibits, pleadings, correspondence, and all other documents submitted by parties after the date of this Order.

3. Should the LFUCG file documents of any kind with the Commission in the course of these proceedings, it shall also serve a copy of said documents on all other parties of record.

Done at Frankfort, Kentucky, this 6th day of August, 1999.

By the Commission

ATTEST:

Executive Director

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

JUL 30 1999

In the Matter of:

THE TARIFF FILING OF COLUMBIA GAS OF KENTUCKY, INC. TO IMPLEMENT A SMALL VOLUME GAS TRANSPORTATION SERVICE, TO CONTINUE ITS GAS COST INCENTIVE MECHANISMS, AND TO CONTINUE ITS CUSTOMER ASSISTANCE PROGRAM	)	CASE NO. 99-165

MOTION FOR FULL INTERVENTION

Comes the Lexington-Fayette Urban County Government, by counsel, and hereby moves this Commission for an Order granting it full intervenor status in the above-styled action.

In support of its motion, the Government states that it was an intervenor in Columbia's previous rate case which resulted in implementation of the Customer Assistance Program and has been involved in meetings with the company, the Attorney General's Office and others related to proposed implementation of a small volume gas transportation service. Further, Government is currently on the service list and has, for all practical purposes, been a party to this proceeding.

WHEREFORE, the Government respectfully requests this Commission to enter its Order granting full intervenor status to the Lexington-Fayette Urban County Government.

Respectfully submitted,

LEXINGTON-FAYETTE URBAN
COUNTY GOVERNMENT
Department of Law
200 East Main Street
Lexington, Kentucky 40507
Telephone: (606) 258-3500

BY: Edward W. Gardner
Edward W. Gardner
Director of Litigation

ATTORNEY FOR LEXINGTON-FAYETTE
URBAN COUNTY GOVERNMENT

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing has been served on this 24th day of July, 1999, by mailing same to all persons on the Service List in case number 99-165.

Edward W. Gardner

ATTORNEY FOR LEXINGTON-FAYETTE
URBAN COUNTY GOVERNMENT

EWG/mot040

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

July 30, 1999

To: All parties of record

RE: Case No. 99-165

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

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

Honorable Anthony G. Martin
Attorney at Law
P. O. Box 1812
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315 High Street
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Community Action Council for
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Counsel for LG&E Energy Corp.
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220 West Main Street
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6797 North High Street
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1024 Capital Center Drive
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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF COLUMBIA GAS OF KENTUCKY, INC. TO IMPLEMENT A SMALL VOLUME GAS TRANSPORTATION SERVICE, TO CONTINUE ITS GAS COST INCENTIVE MECHANISMS, AND TO CONTINUE ITS CUSTOMER ASSISTANCE PROGRAM	)	CASE NO. 99-165

ORDER

IT IS ORDERED that Columbia Gas of Kentucky, Inc. ("Columbia") shall file the original and 10 copies of the following information with the Commission. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a response requires multiple pages, each page should be indexed appropriately, for example, Item 1(a), page 2 of 4. With each response, include the name of the witness who will be responsible for responding to questions related thereto. Careful attention should be given to copied material to ensure that it is legible. The response to this request is due August 13, 1999.

1. Refer to the Prepared Direct Testimony of Stephen R. Byars at page 3 where the establishment of the Columbia Collaborative is discussed.

a. The Collaborative consists of Columbia and only three other members. Were other parties solicited to participate in the Collaborative? If yes, identify when these solicitations occurred and the parties to whom they were directed. If no, explain why such a relatively small group was chosen.

b. The program is available to IUS customers. Were any members of this customer group invited to participate in the Collaborative?

c. With a maximum annual limit of 25,000 Mcf usage to be eligible for the proposed program, commercial customers and smaller industrial customers should qualify. Was any input sought from these groups or were any representatives from these groups invited to participate in the Collaborative? If no, explain why.

2. Refer to the Prepared Direct Testimony of Kimra H. Cole at page 8 where it states that "as long as Columbia remains in the merchant function with a regulated gas commodity rate the definition of workable competition is irrelevant."

a. Explain whether the phrase "regulated commodity rate" is the critical portion of this statement.

b. Explain whether a competitive marketplace would exist if Columbia were to retain its merchant function but did not have a regulated commodity rate.

3. Refer to the Prepared Direct Testimony of Kimra H. Cole at page 8 where it states, "The revenues generated under this rate schedule will be credited to the Stranded Cost/Recovery Pool account."

a. Explain how this proposed tariffed rate differs from a surcharge to recover stranded costs associated with the implementation of the small volume transportation program tariff.

b. Since Columbia is proposing to use the proceeds collected under the Small Volume Aggregation Service tariff to offset stranded costs, is Columbia proposing to terminate this tariff once stranded costs have been fully recovered? If not, why not?

c. Explain why Columbia should continue to collect this charge above any stranded costs and retain the first $4 million for return to its shareholders.

d. Does Columbia believe this type of charge provides the transparency it is seeking so that customers can make a clear and understandable choice between a marketer's offer and Columbia's sales rate? Fully explain your response.

4. Refer to the response to Item 1 of the Commission's Order of July 2, 1999. It states that it would be unlikely for revenue opportunities to exactly match the stranded costs associated with the small volume transportation program; therefore, the "deadband" of $3 million was adopted rather than devise a method to true-up over- or under-recovered revenues. The response also states that the program is designed to have no affect on Columbia's net income, but in the highly likely event that there is either an over- or under-recovery of stranded costs the program will affect Columbia's net income, up to a maximum of $3 million. Given these statements, explain whether the "deadband" approach, as proposed, virtually guarantees that Columbia's net income will be affected by the program.

5. Refer to the response to Item 2 of the Commission's Order of July 2, 1999. Provide an explanation for whether there is any particular significance to the 10 percent used to develop the $3 million "deadband". Is there any particular merit to the choice of 10 percent as compared to either five or 15 percent?

6. Refer to the response to Item 4 of the Commission's Order of July 2, 1999. To the extent that GCR calculations currently include credits from capacity release and

off system sales, will Columbia's proposal cause the GCR rate to remaining customers to increase?

7. Refer to the response to Item 5 of the Commission's Order of July 2, 1999. The response refers to the benefit to the customer from having "the opportunity to choose" another gas supplier. Is there some way to quantify this benefit? Explain whether it is Columbia's position that having "the opportunity to choose" outweighs the loss of the incentive plan credits.

8. Refer to the response to Item 6 of the Commission' Order of July 2, 1999 where it states that "the Collaborative agreed that it was important for Columbia's sales customers not to pay any additional charges for a Choice program." If the Choice program did not exist, sales customers would continue to receive incentive plan credits that they won't receive under the proposed program. Explain how this result, intended or not, does not cause sales customers to pay more under the proposed program than they would pay without the program.

9. Refer to the responses to Items 7 and 8 of the Commission's Order of July 2, 1999.

a. Explain in more detail the nature of the transparency problems associated with a customer surcharge. Provide examples along with the narrative explanation, if necessary.

b. Two other Columbia distribution companies use a customer surcharge. Describe in detail those companies' experience, particularly any problems, with the customer surcharge approach.

c. Provide the results of any customer surveys or other data indicating that customer surcharges are confusing and prevent clear comparisons between incumbent gas supply prices and alternate gas supply prices.

d. Was transparency of stranded cost recovery a primary issue for Collaborative members other than Columbia?

e. Regarding the Collaborative's discussion regarding customer surcharges versus transparency, did the idea of Columbia continuing with its current incentive program and remaining sales customers losing their portion of sharing arise? Explain.

10. Refer to the response to Item 9 of the Commission's July 2, 1999 Order.

a. For those Columbia companies using a customer surcharge to recover stranded costs, are the average annual savings for residential and small commercial customers net of the surcharge? Explain.

b. Do average annual savings reflect tax avoidance?

11. Refer to the responses to Items 10 and 11 of the Commission's Order of July 2, 1999 where Columbia provided its earned return on equity for the past five calendar years and identified two specific items that impacted its 1998 return.

a. Provide the calculations used to produce Columbia's equity returns as shown for the past five calendar years.

b. For each of those years, identify and provide the dollar amount and rate of return impacts of using "non-traditional sources" of revenue to enhance equity returns.

12. Refer to the second paragraph of the response to Item 11 of the Commission's Order of July 2, 1999. Explain whether the Commission should infer from these statements that it is Columbia's position that once rates are judged to be fair, just, and reasonable that those rates remain fair, just, and reasonable indefinitely regardless of changes in conditions or circumstances.

13. Refer to the response to Item 12 of the Commission' Order of July 2, 1999. The original request asked why sales customers should forego their portion of gas cost incentive revenues while Columbia would retain its portion. The response does not address the second part of the question. If the discussions between Columbia and the other members of its Collaborative determined that using revenues from gas cost incentives to recover stranded costs was superior to other potential options, explain how, or why, the Collaborative determined that Columbia should retain its portion of gas cost incentive revenues.

14. Refer to the response to Item 13 of the Commission's Order of July 2, 1999, which states that Columbia has not developed a mechanism to recover a potential shortfall in excess of $3 million.

a. Explain whether the Commission should infer from this response that Columbia does not anticipate that there will be a shortfall in excess of $3 million.

b. Other than the length of time between 1999 and the year 2004, provide any specific reasons why Columbia would propose a plan that sets a $3 million "deadband" but does not include a methodology for dealing with a potential under-recovery in excess of the $3 million "deadband."

15. Refer to the response to Item 14 of the Commission's Order of July 2, 1999.

a. Explain what will happen to that capacity that becomes available due to the small volume transportation program and is not assigned to an alternate supplier.

b. If the intention is to not mingle capacity available for resale and capacity due to the small volume transportation program, is fixing the benchmark through October 31, 2004 appropriate if the capacity arising due to the small volume transportation program fluctuates or grows over time? Explain.

16. Refer to the response to Item 15 of the Commission's Order of July 2, 1999. Columbia states, "The financial model is designed so that stranded costs and revenue opportunities will match exactly at the end of the program, but not necessarily before." Provide a more detailed explanation as to why an exact true-up of stranded cost recovery was rejected by the Collaborative.

17. Refer to the response to Item 17 of the Commission's Order of July 2, 1999. Columbia indicates it believes it would be inappropriate to provide the Commission the definition of a competitive marketplace without consulting its Collaborative first. Columbia has been aware that the definition of a competitive marketplace was an issue in this proceeding since the Commission issued its Order of May 28, 1999. That Order scheduled an informal conference for June 3, 1999, and identified the application's lack of a definition of a competitive marketplace as one of the topics to be discussed at that conference and members of the Collaborative were present at the conference. Explain why Columbia has had no opportunity to discuss

this issue with its Collaborative, or chosen not to discuss this issue with its Collaborative, at some point in time between receiving the May 28, 1999 Order and the preparation of its response to the Commission's July 2, 1999 Order.

18. Refer to the response to Item 18 of the Commission's Order of July 2, 1999. Part (i.) asks if the estimated marketer contribution on line 5f is composed of penalties, and the response is, "No." Explain what the estimated marketer contribution consists of.

19. Refer to the response to Item 21 of the Commission's Order of July 2, 1999. It states that since Columbia's base rates and, as a result, its proposed transportation rates, have already been cost justified and approved by the Commission, Columbia can find no basis to justify differing rates for delivery of gas under the proposed program. Columbia's base rates were approved as part of a settlement in Case No. 94-179.[1]

a. At the time the Commission was considering the proposed settlement in Case No. 94-179, what information was provided by Columbia to demonstrate that the settlement rates were cost justified?

b. Has the Commission been provided any information since the time it approved that settlement that demonstrates that the settlement rates were cost justified then or are cost justified now?

20. Refer to the response to Item 22 of the Commission's Order of July 2, 1999. Columbia's GCR rate reflects only gas commodity costs. Marketers' commodity rates will reflect gas commodity costs as well as expenses and profit. Should

[1] Case No. 94-179, Notice of Adjustment of Rates of Columbia Gas of Kentucky, Inc., On and After July 1, 1994.

Columbia's GCA process be modified so that GCR rates reflect all of the same kinds of costs that marketers' rates include? Would such a modification make GCR rates more comparable to marketer rates?

21. Refer to the response to Item 23 of the Commission's Order of July 2, 1999. Obviously Columbia does not anticipate any cost shifts between sales customers and small volume transportation program customers as indicated in its initial response and supplemental response to the Commission's Order of May 28, 1999, and in its responses to questions raised at the informal conference of June 3, 1999. However, the Commission has not been convinced by Columbia's arguments and does not share Columbia's expectations that there will be no cost shifts between sales customers and small volume transportation program customers. Hypothetically, assuming cost shifts were to occur, provide a response to Item 23 of the Commission's July 2, 1999 Order.

22. Refer to the response to Item 28 of the Commission's Order of July 2, 1999. Does Columbia currently collect and remit all applicable taxes, such as gross receipt taxes, sales tax and franchise fees from other transportation-only customers? If not, why not?

23. Refer to the response to Item 35 of the Commission's Order of July 2, 1999. Provide copies of the marketer eligibility requirements which are summarized here, and provide justification for any differences in those requirements and the requirements proposed by Columbia in this proceeding.

24. Do marketers who are rejected in Columbia's certification process have any recourse to appeal? If not, did the Collaborative consider establishing any appeal

process? Do Columbia affiliates operating in other jurisdictions have such appeal processes? If so, do they involve the state regulatory Commission?

25. Refer to the response to Item 40 of the Commission's Order of July 2, 1999. Should an explanation be made in the proposed Aggregation Agreement or tariffs of the 97.5 percent multiplier so that it is clear to marketers and customers?

26. Refer to the response to Item 45 of the Commission's Order of July 2, 1999.

a. Provide any additional Standards of Conduct or Codes of Conduct that are not included in Columbia's proposal but that are a part of such standards and codes in other unbundling programs in which Columbia's affiliates are participating.

b. Explain why Columbia's Standards of Conduct do not include a provision that states that Columbia will abide by a prescribed Cost Allocation Procedure or Manual in recording transactions with affiliates.

c. Provide all cost allocation requirements and all provisions for Commission access to books and records of the utility and its affiliates included in any of the unbundling programs in which Columbia affiliates are participating.

d. With regard to Element No. 12, would Columbia agree to providing the Commission with copies of any complaints regarding compliance with the Standards of Conduct within the 5-day notification period and to additionally provide the Commission the preliminary results of its investigation simultaneously with the communication of those preliminary results to the complainant?

e. With regard to footnote 3, explain why Columbia should be allowed to participate in joint marketing with its affiliates. Will other marketers be given the opportunity to participate in these joint marketing efforts on a simultaneous and non-discriminatory basis as is required in the Columbia Gas of Pennsylvania program?

27. Does Columbia believe it should be allowed to enter into joint purchasing agreements with its affiliates? Fully explain your response.

28. What types of safeguards does Columbia have in place with regard to the transfer of employees, along with any proprietary information they may have, to affiliates operating in the competitive environment? Does Columbia believe such safeguards are necessary? Fully explain your response.

29. Refer to the response to Item 48 of the Commission's Order of July 2, 1999. Provide Columbia's cost allocation procedures or manual employed in recording affiliate transactions.

30. Refer to the response to Item 49 of the Commission's Order of July 2, 1999. Should marketers be required to file information relevant to complaints and that relate directly to disputes, even if no request is made? If the answer is still no, that this would still be too much of an administrative burden for all concerned, would a requirement that such information be filed for a year after the program starts be more reasonable or advisable?

31. Refer to the response to Item 51 of the Commission's Order of July 2, 1999.

a. How many marketers have supplied input concerning the question of Columbia continuing the billing function?

b. Provide support for Columbia's statement that it believes it will be able to remain collector of franchise fees, gross receipts taxes and sales taxes when applicable if it remains the billing agent.

32. Did the Collaborative discuss the appropriateness of requiring marketers to file tariffs and possibly certain annual information with the Commission? If yes, provide minutes of those discussions and the conclusions reached.

33. What is Columbia's opinion regarding a requirement that marketers file some sort of tariff and provide annual information to the Commission?

34. In Administrative Case Nos. 359[2] and 370,[3] the Commission imposed certain regulatory requirements on new market entrants. Why would this information not be necessary for the Commission to adequately and efficiently monitor competitive service offerings in the natural gas industry?

35. In other jurisdictions such as Ohio where Columbia affiliates are participating in "choice" programs, explain what type of information is provided to the Commission so that it can provide "Apples to Apples" comparative charts.

36. Refer to the response to Item 52 of the Commission's Order of July 2, 1999. How much will it cost for Columbia to perform each billing rate change? Provide supporting workpapers.

37. Refer to the response to Item 53 of the Commission's Order of July 2, 1999.

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[2] Administrative Case No. 359, Exemptions for Interexchange Carriers, Long Distance Resellers, Operator Service Providers and Customer-Owned, Coin-Operated Telephones, Order dated June 21, 1996.

[3] Administrative Case No. 370, Exemptions for Providers of Local Exchange Service Other Than Incumbent Local Exchange Carriers, Order dated January 8, 1998.

a. Explain whether the response means that there is no cost support for the proposal for Columbia to retain 2.5 percent of marketer revenues. Was the proposal agreed to by the Collaborative solely because Columbia Gas of Pennsylvania uses the same multiplier?

b. Is any contribution on the part of Columbia to the stranded cost recovery pool reflected in Exhibit A of Columbia's application?

38. Refer to the response to Item 54 of the Commission's Order of July 2, 1999. How much will it cost Columbia per account per month to provide billing for marketers? Provide supporting workpapers.

39. Refer to the response to Item 58 of the Commission's Order of July 2, 1999. What will be the rate impact on new customers with usage between 6,000 and 25,000 Mcf who no longer qualify for DS service? Will these customers pay more or less as small volume transportation program customers as opposed to being DS customers?

40. Refer to the response to Item 59 of the Commission's Order of July 2, 1999. Will the Actual Cost Adjustment also be calculated by dividing by sales plus Rate Schedule SGVTS volumes? If not, why not?

41. Refer to the response to Item 61 (b) and (c) of the Commission's Order of July 2, 1999 where it states that "Lowering the cost will permit more low-income customers to participate."

a. Identify which cost is being lowered and explain how lowering that cost is going to benefit Customer Assistance Program ("CAP") participants.

b. Gas commodity costs are not a cost of the CAP plan. If by participating in the Choice program the cost that is being lowered is the gas commodity portion of the CAP participants' bills, explain how lowering that cost will permit more low-income customers to participate.

42. Refer to the response to Item 62, part (a)(4), referring to the third-party evaluator's report at Page 11, Section VII. There Columbia cites the statement that "the data do not provide a clear indication of whether the CAP program has resulted in increased consumption by the participants" as support for the statement in the application that the third-party evaluator's report "substantiates the effectiveness of the program by encouraging energy conservation."

a. The text and tables on page 11 of the third-party evaluator's report immediately preceding the sentence cited by Columbia demonstrate that of the three groups of CAP participants, two groups experienced increased consumption relative to the control group during the three years of the CAP pilot while one group experienced decreased consumption relative to the control group during the period of the pilot program. These results support the final statement in that section of the report, which is the statement cited by Columbia in its response to part (a)(4). In light of the results of the evaluator's analysis, explain how Columbia determined that that statement substantiated the program's effectiveness in encouraging energy conservation.

b. Given the results of the evaluator's analysis explain whether Columbia agrees that the final statement in that section of the report could just as easily been written to say "the data do not provide a clear indication of whether the CAP program has resulted in <u>decreased</u> consumption by the participants."

43. Refer to the response to Item 63 (b) of the Commission's Order of July 2, 1999 concerning the Collaborative not seeing the need to include the type of information identified in the CAP tariff.

a. Describe the degree to which the Columbia Collaborative decides what should or shouldn't be included in the tariffs of Columbia Gas of Kentucky.

b. Is there any reason other than that identified in part (b) of the response for why Columbia would oppose its tariff including the type of information identified in the request?

44. Refer to the response to Item 64 of the Commission's Order of July 2, 1999 concerning the benefits of the CAP program. Part (b) of the response, referring to page 14 of the third-party evaluator's report, identifies the statement in the report that "The estimated total annual benefits to non-participants is $26,419.23." This figures to roughly $80,000 in benefits over a period of three years. In the same paragraph on page 14 of the report the third-party evaluator states, "The cost of the CAP program for the third year was $332,707." Below that paragraph, in the Summary of CAP Financial Results, the evaluator shows that for the three-year pilot the total cost of the program was $972,515 and that the amount charged to non-participants was $452,851. In his final sentence in that section of the report the evaluator states, "Based on this analysis the program benefits do not outweigh the program costs." Given these results and the third-party evaluator's conclusion explain why Columbia is proposing to continue the CAP program with relatively minor modifications which may not do much to close the gap between the program costs and benefits.

a. In part (a) of the response Columbia states that the continuation of the CAP program as proposed "does not have all of the elements of a permanent program." In Columbia's view does the non-permanent nature of the proposal to continue the CAP program justify its continuation even though it falls short of benefiting all ratepayers as was called for by the Commission when it approved the CAP pilot in 1994?

45. Refer to the response to Item 65 of the Commission's Order of July 2, 1999. Explain in detail how introducing Customer Choice produces any new incentives or enhances any existing incentives for Columbia to become more efficient in the management of its gas procurement function.

46. Refer to the response to Item 66 of the Commission' Order of July 2 1999, where it refers to there being two approaches to designing programs to help customers save on the commodity portion of their gas bills.

a. Explain why Customer Choice and an expansion of the existing gas cost incentive mechanisms to include elements such as gas commodity and transportation costs could not co-exist.

b. Identify and describe in detail the relative risks of an expanded, more comprehensive incentive program compared to the risks of a customer choice program such as that proposed by Columbia.

47. Refer to the response to Item 67 of the Commission's Order of July 2, 1999. If an alternative plan were determined by the Commission to be in the public interest in spite of the agreement of the Collaborative, how would Columbia propose to cover stranded costs?

Done at Frankfort, Kentucky, this 30th day of July, 1999.

By the Commission

ATTEST:

Helen C. Helton

Executive Director

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

July 27, 1999

To: All parties of record

RE: Case No. 99-165

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Stephanie Bell

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Secretary of the Commission

SB/sa
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Honorable Stephen B. Seiple
Senior Attorney
Columbia Gas of Kentucky, Inc.
200 Civic Center Drive
P. O. Box 117
Columbus, OH 43216 0117

Honorable Anthony G. Martin
Attorney at Law
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1077 Celestial Street
Suite #110
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6797 North High Street
Suite 314
Worthington, OH 43085

Honorable Ann Louise Cheuvront
Assistant Attorney General
Civil & Environmental Division
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THE TARIFF FILING OF COLUMBIA GAS OF KENTUCKY, INC. TO IMPLEMENT A SMALL VOLUME GAS TRANSPORTATION SERVICE, TO CONTINUE ITS GAS COST INCENTIVE MECHANISMS, AND TO CONTINUE ITS CUSTOMER ASSISTANCE PROGRAM	)	CASE NO. 99-165

O R D E R

In its application filed April 22, 1999, Columbia Gas of Kentucky, Inc. ("Columbia") requests to continue its gas cost incentive mechanisms and its customer assistance program for the term it has proposed for the small volume gas transportation program. That program, as proposed, would have a 5-year term beginning November 1, 1999 and running through October 31, 2004. By Order dated May 28, 1999, the Commission suspended the proposed rates and tariffs for the small volume gas transportation program for 5 months up to and including March 31, 2000.

Columbia requests that the gas cost incentive mechanisms presently in place, that are scheduled to expire July 31, 1999, be continued to the proposed effective date of the small volume gas transportation program. It proposes new, slightly modified tariffs for the gas cost incentive mechanisms, with an effective date of August 1, 1999, to continue the gas cost incentives through the proposed term of the small volume gas transportation program. Columbia also requests that its customer assistance program, scheduled to expire October 31, 1999, be extended for the term of the small volume gas transportation program and proposes new tariffs for that program with an effective date of November 1, 1999.

The proposal to continue the customer assistance program in its present form up to the effective date of the small volume gas transportation program can be dealt with fairly easily since both programs have the same proposed effective date of November 1, 1999. Therefore, the proposed customer assistance program tariff will be suspended for 5 months while allowing the existing program to remain in effect pending a final decision in this proceeding.

The gas cost incentive mechanisms, however, do cause some concern because of the August 1, 1999 effective date for the new tariff. A 5-month suspension of that tariff would extend only to December 31, 1999, and while the discrepancy in suspension dates would most likely not cause a problem, there is always a possibility that the time to process this case could go beyond the December 31, 1999 date. If that were to occur, the Commission would have no recourse to extend the suspension period beyond the original 5 months.

The situation can be addressed by allowing the existing tariff to remain in effect pending the Commission's final decision in this proceeding, while rejecting the new tariff with its proposed effective date of August 1, 1999. In this manner, the existing tariff will not terminate July 31, 1999, but will continue in its present form until the conclusion of this case.

IT IS THEREFORE ORDERED that:

1. The existing tariff Sheet Nos. 50 and 50a, which are scheduled to expire July 31, 1999, shall not expire on that date but shall remain in effect until the conclusion of this case.

2. The proposed tariff Sheet Nos. 50 and 50a, with an effective date of August 1, 1999, are rejected.

3. The existing tariff Sheet No. 51b, which is schedule to expire October 31, 1999, shall not expire on that date but shall remain in effect until the conclusion of this case.

4. The proposed tariff Sheet No. 51b, with an effective date of November 1, 1999, is hereby suspended for 5 months up to and including March 31, 2000.

5. Nothing contained herein shall prevent the Commission from entering a final decision in this case prior to the termination of the suspension period established herein.

Done at Frankfort, Kentucky, this 27th day of July, 1999.

By the Commission

ATTEST:

Executive Director

RECEIVED
JUL 16 1999
PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
THE TARIFF FILING OF COLUMBIA GAS OF	)	
KENTUCKY, INC. TO IMPLEMENT A SMALL	)	CASE NO. 99-165
VOLUME GAS TRANSPORTATION SERVICE,	)	
TO CONTINUE ITS GAS COST INCENTIVE	)	
MECHANISMS, AND TO CONTINUE ITS	)	
CUSTOMER ASSISTANCE PROGRAM	)	

PREPARED DIRECT TESTIMONY OF
SCOTT D. PHELPS
ON BEHALF OF
COLUMBIA GAS OF KENTUCKY, INC.

Andrew J. Sonderman, General Counsel
Stephen B. Seiple, Senior Attorney
Amy L. Koncelik, Attorney
200 Civic Center Drive
P. O. Box 117
Columbus, Ohio 43216-0117
Telephone: (614) 460-4648
Fax: (614) 460-6986
Email: sseiple@ceg.com

Richard S. Taylor
Capital Link Consultants
315 High Street
Frankfort, Kentucky 40601
Telephone: (502) 223-8967
Fax: (502) 226-6383

Attorneys for
COLUMBIA GAS OF KENTUCKY, INC.

July 16, 1999

PREPARED DIRECT TESTIMONY OF SCOTT D. PHELPS

Q: Please state your name and business address.

A: Scott D. Phelps, 200 Civic Center Drive, Columbus, Ohio 43215.

Q: Who employs you?

A: I am employed by Columbia Gas of Kentucky, Inc. ("Columbia").

Q: What is your position with Columbia?

A: I am the Director of Gas Procurement.

Q: What is your education background?

A: I received a Bachelor of Science degree in Civil Engineering at Michigan Technological University.

Q: Please describe your employment history with the Columbia Energy Group.

A: In 1978, I joined Columbia Gas of Ohio, Inc. as an Industrial Marketing Engineer and was responsible for representing Columbia to its industrial and large commercial customers throughout Southeastern Ohio. In 1984, I was promoted to Manager, and later Director of Gas Transportation Services in Columbia's Marketing Department in Columbus, serving that function for Columbia Gas of Kentucky, as well as for Columbia's other distribution companies. In that capacity, I was responsible for managing Columbia's expanding role as provider of unbundled gas transportation services to its industrial and commercial customers. In 1989, I was promoted to Director of Gas Procurement in the

Gas Supply Department in Columbus, now called Gas Management Services. In this position, I have responsibilities related to the negotiation, acquisition, scheduling, and payment for Columbia's gas supplies, as well for gas supply contract administration, capacity release and off system sales.

Q: What is the purpose of your testimony?

A: I will describe elements of the Financial Model included in Columbia's application as Attachment A ("the Model").

Q: What is the purpose of the Model?

A: The Model is a tool that has been used by Columbia and its Collaborative group to understand and balance the various costs and revenues associated with providing Small Volume Gas Transportation Service while continuing Columbia's gas cost incentive programs.

Q: How is the Model formatted?

A: The model, as can be seen in Attachment A of the application, lists from top to bottom of the page, the key items that Columbia and the Collaborative identified as being important to the design of the program. They include Gas Transportation and Sales Volumes, Upstream Demand Charges, Stranded Costs, and Revenue Opportunities. At the bottom of the page, additional information is provided regarding assumptions used in developing the Model. The volumetric and financial information is provided from left to right by calendar year.

Q: At the top of the page in the Model, four lines are used to list volumes and unit costs. Please describe the content of each of those first four lines in the Model.

A: I will title each area of my testimony below with the title of the line being described.

1 Total Choice Volumes (Mmcf/yr)

The gas volumes on line 1 represent expected gas deliveries (in millions of cubic feet) during the period to those customers participating in the small volume gas transportation ("SVGTS") program.

2 Total Sales Volumes (Mmcf/yr)

The gas volumes on line 2 represent expected gas sales made by Columbia during the period to those customers who choose to remain Columbia sales customers. The total of lines 1 and 2 represents the total expected gas throughput to the customers eligible for the SVGTS program.

3 GCR-Demand without CHOICE ($/mcf)

Line 3 lists dollars per thousand cubic foot (mcf) of upstream capacity costs. In this case, the costs for the demand portion of transportation and storage contracts are derived assuming that none of those firm contracts are cancelled upon their allowable termination dates. As shown in detail in the first section of Attachment D of the application, the numerator of this unit cost calculation includes the demand costs of all of Columbia's contracts. The denominator includes the annual consumption of all of Columbia's customers that will be eligible for SVGTS, including those expected to choose an alternate supplier as well as those that continue to purchase from Columbia. This calculation is representative of how capacity costs would be determined and charged if there were no SVGTS program.

3a GCR - Demand with CHOICE ($/mcf)

Line 3a differs from line 3 in that the numerator now used in the calculation of the costs has been reduced to reflect the cancellation of certain upstream capacity contracts during the period. This is reflective of what could be expected to occur with a SVGTS program. To the extent some of the gas marketers choose to use their own capacity contracts instead of taking assignment of capacity from Columbia, we would be able to terminate some capacity contracts. These calculations are shown in detail in the second section of Attachment D.

Q: The next set of lines in the Model fall under the heading "Stranded Costs." Please describe what is meant by the term "Stranded Costs."

A: Stranded Costs, as used in the Model, are costs that will occur as a result of offering a choice of gas commodity suppliers to Columbia's small volume customers. By identifying the stranded costs, we will be able to identify the level of revenue opportunities needed to enable us to prevent customers from being negatively impacted by the program. Far and away, the largest of the four costs listed is the first one, which relates to Columbia's long term firm contracts for upstream pipeline capacity.

4a GCR - Demand

To calculate the "stranded costs" related to upstream capacity demand charges, the total SVGTS Volume from line 1 is multiplied by the value in line 3a, the Demand Costs after canceling certain upstream contracts. Those upstream capacity contracts that can be cancelled during the period are first removed from the calculation because, if cancelled they will not add to the stranded costs. This line represents the demand costs that will be incurred as a result of the customer's choice, prior to any revenue offsets.

4b 4c Information Technology and Education

For information on costs related to information technology and education, please refer to the testimony of Columbia witness Byars.

4d Lost Standby Revenues

Some of Columbia's commercial customers currently transport their own gas supplies under rate schedule DS but will now be eligible to participate in the SVGTS program. Some of those DS customers currently receive and pay for Standby Service from Columbia. Columbia in turn maintains firm upstream assets in its design in order to provide that service. When those DS customers with Standby Service switch to SVGTS they will no longer require or pay the Standby Service charge. As with the customers who shift away from firm Columbia's Sales Service, this shift away from firm Columbia Standby Service will add to the total amount of stranded capacity, which adds to the Stranded Costs.

Q: The next section of the Model lists several "Revenue Opportunities." Please describe each revenue opportunity.

A: The revenues identified next present the opportunity to offset the previously described "Stranded Costs."

5a Capacity Assignment

As part of the SVGTS, participating gas marketers will have the opportunity to take assignment of certain interstate transportation and storage capacity from Columbia. The specific capacity involved in such assignments can include Columbia Gas Transmission Corporation's Rate Schedule Firm Transportation Service ("FTS"), Firm Storage Service ("FSS") including Storage Service Transportation ("SST"), and Columbia Gulf Transmission Corporation's Rate Schedule Firm Transportation Service-1 ("FTS-1"). These assignments will be allowed to occur in a manner designed to minimize the stranding of capacity and to keep Columbia's firm sales capacity portfolio in a balanced position. For example, the three rate schedules will be offered in a ratio equal to Columbia's overall portfolio. In addition, FTS-1 capacity, which is the upstream capacity designed to feed FTS capacity, will only be assigned in conjunction with an equal assignment of FTS capacity, and FSS capacity will only be assigned to the extent that it matches an equivalent assignment of SST.

Q: If Columbia assigns interstate capacity to the SVGTS marketer, what will happen should a marketer fail to reliably supply gas to its customer group?

A: Interstate transportation and storage capacity can be released on either a recallable or on a non-recallable basis. Columbia intends to implement all of the releases pursuant to the SVGTS program on a recallable basis. If a marketer fails to deliver gas supplies in a reliable manner, sufficient to serve its customers requirements, Columbia will have the right to recall any assigned capacity in order maintain service to those customers. Failure of a marketer to perform is the only circumstance currently contemplated by Columbia that would lead to such a recall of capacity.

Q: If a marketer wishes to take assignment of capacity to serve its customer group, how will the program operate so as to provide the marketer with the ability to keep its customer demand and the assigned capacity in balance?

A: In the SVGTS program, Columbia's customers will be allowed to enroll with marketers during any month of the year. In other words, enrollments will be ongoing, without any specific deadline or window period. Marketers will be allowed to increase their FTS and FTS-1 transportation assignments in keeping with their monthly increases in their customer group. Storage assignments will be initiated on April 1st, and increases will be allowed throughout the summer months until November 1st of each year.

Q: If a marketer desires to take assignment of capacity, but does not wish to take assignment to cover the entire demand of its customers, can the marketer take a partial assignment of capacity?

A: Yes, a marketer may choose to take assignment of less than the maximum amount of capacity required to meet the maximum daily needs of its customer group. With regard to the transportation capacity, the marketer may choose to take assignment of anywhere from zero to one hundred percent of its customer requirements. With regard to storage, the marketer must take at least the minimum amount needed to serve the daily balancing requirements of its customer group if the marketer wishes to avoid the charges related to Daily Balancing. To the extent the marketer takes less than the minimum storage assignment for its customer group, the marketer will need to purchase Daily Balancing service from Columbia for the marketer's remaining customers.

Q: Is it possible that the implementation of capacity assignment can change during the term of the proposed program?

A: Yes, Columbia has proposed that, in order to reduce the level of risk related to the amount of stranded costs generated by customers choosing an alternate supplier, Columbia must have the ability to implement mandatory capacity assignment to the SVGTS marketer under certain circumstances. If Columbia determines that customer participation levels have grown to a point that puts the financial model out of balance – i.e., when Stranded Costs are expected to exceed Revenue Opportunities, then Columbia may implement Phase II of the program. In Phase II, upstream transportation and storage capacity will be assigned to marketers for any incremental SVGTS markets on a mandatory basis. Marketers will receive assignment of firm capacity under Columbia Gas Transmission's Rate Schedules FTS, FSS along with the associated SST, and Columbia Gulf Transmission Corporation's Rate FTS-1. In addition, depending on the market area in which the marketer's customers are located, Columbia will also assign Tennessee Gas Pipeline Firm Transportation Rate Schedule FT-A. At the beginning of a year immediately following a year in which mandatory capacity assignment was put into effect, Columbia may, at its option, begin allowing marketers to again use their own capacity for new SVGTS customers.

Q: Please continue with your discussion of revenue sources in the Model.

A: **5b Balancing Charges**

In order to provide deliveries that closely approximate the demand of a marketer's customers, that marketer will be required to deliver gas volumes that equal the forecasted requirements of its customers. If the marketer has taken assignment of storage as described above, then the marketer will have the ability to adjust its schedule when the day is complete to the actual temperature for the day, and will be required to match the throughput estimate for the actual temperature experienced. If a marketer chooses not to take assignment of storage capacity, then that marketer will be subject to a Daily Balancing charge of thirty-five cents per one thousand cubic feet ($0.35/mcf) on each mcf consumed by its customer group. This charge represents the storage (FSS and SST) rate schedule costs that will be necessary to provide the daily balancing service. The total costs have been spread over annual throughput volumes to develop the charge on a volumetric or commodity basis.

5c Expiring Contracts

As was discussed in regard to the costs appearing in line 3a of the Model, to the extent capacity contracts are due to expire during the program, while still maintaining sufficient capacity under contract to meet Columbia's merchant obligations, Columbia will allow such contracts to expire. In the proposal however, customers that continue to buy gas from Columbia will continue to pay demand charges calculated as if those contracts had not expired, as was done in line 3 of the Model. This leaves the remaining sales customers with the same pipeline costs that they would have paid if there were no SVGTS program because it will only be as a result of the SVGTS program that Columbia will be able to let the contracts in question expire. The result is a revenue stream, shown by line 5c, which represents demand cost payments made by the sales customers that are used to help off set Stranded Costs.

5d Off-System Sales

Columbia currently has in place two gas cost incentive mechanisms, initially approved by the Commission in Case No.96-079, by Order dated July 31, 1996. The Commission approved an extension of the programs by Order dated July 27, 1998. As part of that Order, Columbia was required to file a "more comprehensive" program by July 1, 1999, for the Commission's consideration, in order to either continue or discontinue those two programs as of August 1, 1999.

The application filed in this case is Columbia's proposal of a "more comprehensive" program. This program deals with several important unbundling issues for Columbia's customers, including company-wide choice of commodity providers for Columbia's small gas customers, and a plan to pay for the resulting Stranded Costs.

Columbia proposes to continue to identify opportunities and market off system sales products after July 31, 1999. Specifically, Columbia has proposed a continuation of the sharing of off system sales revenue beginning August 1, 1999, and continuing through October 1999 (or until the effective date of the proposed SVGTS program). Columbia has also proposed that the off system sales program continue from the implementation date for the SVGTS program, proposed to be November 1, 1999, through October 31, 2004. During both of these future periods, Columbia proposes that it continue to be credited with 35% of off system sales revenue. From August 1999 through October 1999, Columbia proposes that the remaining 65% share continue to be credited in the ACA. After October, once SVGTS is in place, Columbia proposes that the remaining 65% be credited against Stranded Costs as an important "Revenue Opportunity."

Q: Has Columbia filed modified tariff pages to reflect this change and continuation of the off system sales program?

A: Yes, tariff pages to be effective during the period August through October 1999 are included in Attachment E of the application and tariff pages to be effective once SVGTS is initiated in November are included in Attachment C.

Q: In the Model, off system sales revenues are decreasing throughout the period of the program. Please explain that decline.

A: Off system sales are dependent on the size of our merchant function. If Columbia's merchant function shrinks as a result of the SVGTS program, as is forecasted in the Model, then we can expect off system sales revenue to decline in line with that reduction in customer sales volume throughput. This occurs because Columbia will see a reduction not only in its merchant sales obligation, but also in its capacity asset portfolio as a result of capacity assignment, capacity termination, and capacity release.

Q: Please explain how Columbia proposes to utilize capacity release revenue.

A: **5e Capacity Release**

Columbia is proposing that the Capacity Release incentive program be continued and modified in a similar manner to the off system sales program. As with off system sales, there are no changes being proposed to the sharing levels for Columbia. As approved in the previous case, Columbia proposes that it not share in any capacity release revenue until after a benchmark is surpassed. As is done in the current program, and described in the tariff, Columbia proposes to recalculate the benchmark by calculating an "annualized simple monthly average using actual data for the thirty-six months ending June 30th of the year in which the ACA filing is made." Columbia proposes that the next recalculation be done at the time small volume customers begin transporting gas under Columbia's proposed program.

Q: Would the benchmark be recalculated again the following year?

A: No, Columbia proposes that the benchmark be fixed through October 31, 2004, on an annualized simple monthly average using actual data for the 36 months ended October 31, 1999, as defined on Original Sheet No. 58 in the proposed tariff.

Q: Prospectively, how would the sharing work in the capacity release program?

A: As with the existing program, once the benchmark is surpassed, Columbia would be allowed to retain 100% of capacity release revenues above the benchmark until the benchmark is equal to 65% of the total revenue. At that point, Columbia's share reduces to 35%

for any incremental revenue. Columbia proposes that all revenue not retained by Columbia be credited to the Stranded Costs/Recovery Pool.

Q: In the Model, why do Columbia's Capacity Release revenues show increases during the SVGTS program?

A: In the Model, we assume that the SVGTS program will be relatively attractive to marketers and our customers. If this turns out to be the case, then Columbia's sales volumes will decrease. When this decrease in merchant function is combined with the marketers' ability to utilize their own capacity contracts to serve SVGTS customers, Columbia expects that it will have more capacity to release than it has had in the past. If we have more to release, we are assuming that we will be able to generate more revenue than in the past.

Q: Please describe the Marketer Contribution.

A: **5f Marketer Contribution**

For information on revenue related to the "Marketer Contribution", please refer to the testimony of Columbia witness Cole.

Q: Please describe the line in the Model for Net Stranded Costs.

A: **Net Stranded Costs**

The line in the Model labeled Net Stranded Costs shows a zero in the final year by design. In order to achieve this goal of zeroing out stranded costs, Columbia and the Collaborative group worked to identify and incorporate the best mix of related revenue opportunities and program rules. While an exact match between the level of stranded costs and the level of revenue used to offset the costs is the goal of the program, we realize that such an exact match is unlikely. This is an issue addressed further in the testimony of Columbia witness Byars.

Q: Does this conclude your Prepared Direct Testimony?

A: Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Prepared Direct Testimony of Scott D. Phelps was served upon all parties of record by regular U.S. Mail this 16th day of July, 1999.

Stephen B. Seiple /SB
Stephen B. Seiple
Attorney for
COLUMBIA GAS OF KENTUCKY, INC.

SERVICE LIST

Hon. Richard S. Taylor
Attorney at Law
Capital Link Consultants
315 High Street
Frankfort, KY 40601

Hon. David F. Boehm
Boehm, Kurtz & Lowry
2110 CBLD Center
36 E. Seventh Street
Cincinnati, OH 45202

Mr. Edward W. Gardner
Lex-Fayette Urban County Government
200 East Main Street
Lexington, KY 40507

Hon. Ann Louise Cheuvront
Assistant Attorney General
Civil & Environmental Division
Public Service Litigation Branch
P.O. Box 2000
Frankfort, KY 40602

Hon. Anthony G. Martin
Attorney at Law
P.O. Box 1812
Lexington, KY 40593

Commonwealth Energy Services
745 West Main – 5th Floor
Louisville, KY 40202

FSG Energy Services
6797 North High Street
Suite 314
Worthington, OH 43085

Community Action Council for Lexington-Fayette, Bourbon, Harrison & Nicholas Counties
P.O. Box 11610
892 Georgetown Street
Lexington, KY 40576

Hon. Douglas M. Brooks
Louisville Gas & Electric Co.
220 West Main Street
P.O. Box 32010
Louisville, KY 40232

Hon. John M. Dosker
Stand Energy Corporation
1077 Celestial Street
Suite #110
Cincinnati, OH 45202

JUL 16 1999

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
THE TARIFF FILING OF COLUMBIA GAS OF	)	
KENTUCKY, INC. TO IMPLEMENT A SMALL	)	CASE NO. 99-165
VOLUME GAS TRANSPORTATION SERVICE,	)	
TO CONTINUE ITS GAS COST INCENTIVE	)	
MECHANISMS, AND TO CONTINUE ITS	)	
CUSTOMER ASSISTANCE PROGRAM	)	

PREPARED DIRECT TESTIMONY OF
STEPHEN R. BYARS
ON BEHALF OF
COLUMBIA GAS OF KENTUCKY, INC.

Andrew J. Sonderman, General Counsel
Stephen B. Seiple, Senior Attorney
Amy L. Koncelik, Attorney
200 Civic Center Drive
P.O. Box 117
Columbus, Ohio 43216-0117
Telephone: (614) 460-4648
Fax: (614) 460-6986
Email: sseiple@ceg.com

Richard S. Taylor
Capital Link consultants
315 High Street
Frankfort, Kentucky 40601
Telephone: (502) 223-8967
Fax: (502) 226-6383

Attorneys for
COLUMBIA GAS OF KENTUCKY, INC.

July 16, 1999

Prepared Direct Testimony of Stephen R. Byars

Q. Please state your name and business address.

A. Stephen R. Byars, Columbia Gas of Kentucky, Inc. 2001 Mercer Road, Lexington, Kentucky, 40512.

Q. What is your position at Columbia Gas of Kentucky?

A. I am the Director of External Affairs with responsibilities for regulatory affairs, governmental affairs, communications and economic development.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to recommend the approval of Columbia's application to implement a small volume gas transportation program, and the continuation of its gas cost incentive mechanisms and its Customer Assistance Program. The testimony will provide a general overview and background on the application filed in this case on April 22, 1999.

Q. Why did Columbia request Commission approval of a small volume gas transportation program?

A. Columbia first offered a gas supply alternative to its large volume customers almost twenty years ago. Those large volume customers have seen their commodity cost of gas decrease with the opportunity to choose their supplier and Columbia believes that all of its customers should enjoy this same opportunity to choose their supplier and save money. In addition, other Columbia Energy Group distribution companies have witnessed the success of residential and commercial gas transportation programs in other jurisdictions and Columbia believes that Kentucky customers can achieve similar benefits. Columbia was further encouraged by the July 1, 1998 Commission Order closing Administrative Case No. 367. That Order stated on page 2 that, "the Commission supports the concept of customer choice programs targeted at residential and small commercial customers."

Q. What are the goals of the proposed program?

A. The goals are as follows:

1) The program must provide an opportunity for customers to save money on their gas bills;

2) The program should provide marketers with as much flexibility as is possible to provide customers savings by allowing them to serve customers using their own interstate pipeline capacity;

3) The program should be revenue neutral for Columbia, and must allow Columbia to recover its stranded costs and incremental program expenses;

4) The recovery of stranded costs must be as transparent to the customer as possible to permit the customer to make a clear and understandable choice between the marketer's offer and Columbia's sales rate;

5) Customers who choose to continue to purchase their gas supply using Columbia's traditional sales service should not incur any additional charges because of the implementation of a small volume gas transportation program; and,

6) Customer education is critical to the success of the program and customers must have an opportunity to learn about the program for a period of time before they begin to receive offers from marketers.

Q. How did Columbia develop these goals?

A. Columbia has had an opportunity over the last two years to observe closely small volume gas transportation programs in other Columbia-served jurisdictions. The experience has allowed Columbia to determine which features of these programs have worked and which features have not.

In addition, Columbia actively sought the opinions of other stakeholders in developing the goals for the program. Columbia established a collaborative of parties that had previously intervened in Columbia's cases before the Commission. This collaborative consisted of the Office of the Attorney General of the Commonwealth of Kentucky, the Lexington-Fayette Urban County Government, and the Community Action Council for Fayette, Bourbon, Harrison and Nicholas Counties. In addition, Columbia solicited and received valuable input from FSG Energy Services, a marketing subsidiary of Wisconsin Public Service Resources Corporation. Columbia established this collaborative with the recommendation of the Commission's Order in Administrative Case No. 367 that encouraged any applicant utility to seek input from its stakeholders and to develop a program that would reach compromise with both public and utility shareholder interests. The collaborative also served to create great value by bringing together customer choice program experience with the unique perspectives of Kentucky customers to help craft a program that reaches the goal that the Commission's Order envisions. Based upon its review of other small volume transportation programs, input from its Collaborative, and Columbia's understanding of its customers, Columbia developed the above goals for its program.

Q. Why is it important that one of Columbia's goals is to permit marketers to use their own interstate pipeline capacity to the maximum extent possible?

A. Columbia arrived at this position after observing programs that provided this flexibility to marketers and those that did not. Using Ohio as an example, programs that have not provided this flexibility – e.g., that of The East Ohio Gas Company – have not fared nearly as well as programs that do – that of Columbia Gas of Ohio. The East Ohio Gas Company has enrolled approximately 17.9% of its eligible residential customers, and 20.6% of its eligible commercial customers, while Columbia Gas of Ohio, Inc. has enrolled approximately 31.4% of its eligible residential customers and 41.8% of its eligible commercial customers.

Q. Why is the goal of cost recovery important?

A. The goal of Columbia's proposed program is to offer customers a choice as to their commodity supplier. With an opportunity to choose their supplier, customers should have an opportunity to save money. The proposed program is designed simply to offer a gas supply alternative for its customers and not to generate additional revenue for Columbia. Since the program is not designed to create revenue opportunities for Columbia, Columbia should not be penalized by being required to absorb stranded costs or incremental program expenses.

Q. Please explain further why the recovery of costs should be as transparent as possible to customers, and why sales customers should not incur any additional costs.

A. Some programs in other states recover stranded costs through customer surcharges. Columbia believes that such surcharges prevent customers from making a simple comparison between Columbia's gas cost and a marketer's gas cost offer. If a customer, however, makes this simple comparison of commodity costs under Columbia's proposed program and chooses to remain a Columbia sales customers, the customer will pay the same gas cost as if Columbia did not offer them a choice. Based on observations from other jurisdictions, members of Columbia's program Collaborative supported this model conclusively.

Q. Once the goals for the proposed program had been established, how did Columbia develop the proposed program?

A. Columbia used the Commission's Order in Administrative Case No. 367 as a guide when developing its proposed program. The Order listed several issues that should be addressed in any customer choice program including: obligation to serve and supplier of last resort; non-discriminatory access to services offered; codes of conducts for marketers and affiliates of regulated utilities; the pricing of services; billing; certification of suppliers; transition costs; stranded costs; uncollectibles and disconnections; balancing requirements to maintain system integrity; and, access to pipeline and storage capacity. These issues are all addressed within Columbia's application, including the Program Description and the proposed tariffs.

After developing an outline for development of the program, Columbia developed a financial model that guided us in drafting a more detailed proposal. This financial model is discussed further in my testimony below, and in the testimony of Columbia witnesses Kimra Cole and Scott Phelps.

Once we had a draft proposal we met with our Collaborative and reviewed the proposal with its members. These meetings enabled us to better understand the concerns of other stakeholders, and we worked with the Collaborative to revise our proposal to address their concerns. After a series of meetings, and iterative revisions to the proposed program, Columbia and the Collaborative collectively crafted the proposal filed with the Commission for approval.

As a result of this collaborative process, Columbia's proposed program is not opposed by any member of the Collaborative, and to the best of Columbia's knowledge no other parties are opposed to the proposal.

Q. Who will be eligible for the small volume gas transportation program?

A. Columbia's proposed program will allow customers with annual usage below 25,000 Mcf to transport their volumes on Columbia's distribution system and choose an alternative supplier for the actual supply of the gas commodity. Customer participation is completely voluntary. The program simply presents an opportunity for small volume customers to choose an alternate commodity supplier. Columbia will continue to provide all levels of distribution services for program customers as well as for Columbia's sales customers. Columbia will remain the supplier of last resort for all customers. The program is designed to be effective November 1, 1999 and to continue through October 31, 2004.

Q. Does the application request authority for Columbia to exit the merchant function?

A. No. Most of Columbia's long term pipeline capacity contracts expire in 2004. Columbia has not yet formulated its position regarding action on those contracts once they expire. Prior to the expiration of those contracts, Columbia will finalize its position regarding merchant function issues, and seek dialogue with the Commission, Staff and interested stakeholders.

Q. Please provide a general overview of the proposed program's financial model.

A. The financial model was designed, and refined through the work of the Collaborative, to establish mechanisms to recover stranded costs and incremental program expenses incurred under the program. As described earlier, these recovery mechanisms were chosen so that customers could make a simple, clear comparison between Columbia's gas cost and a marketer's gas cost offer and so that they would be transparent to the customer. The model reflects a perfect theoretical match between stranded costs and revenue opportunities at the conclusion of the proposed program. While this is the goal of the program it is admittedly unlikely that such an exact match will occur. The Collaborative agreed that Columbia should accept some risk in exchange for the opportunity to recover stranded costs. Thus, to the extent that the difference between stranded costs and revenue opportunities is $3,000,000 or less at October 31, 2004, Columbia will either absorb the loss or be entitled to retain the gain. This amount is roughly 10% of the stranded costs resulting from the program. The financial model is discussed further in the testimony of Columbia witnesses Cole and Phelps.

Q. Why are information technology costs and education costs included in the financial plan as stranded costs?

A. Information technology costs are incremental expenses incurred by Columbia as a result of implementing the proposed program. These costs are largely computer programming costs that will be incurred. Education costs are those costs of educating customers about the proposed program. A more detailed plan describing the proposed education activities is included in the Program Description on Pages One and Two.

Q. How does Columbia's gas cost incentive program work within the proposed small volume gas transportation program?

A. Columbia has operated a gas cost incentive program for three years, approved by Order of the Commission in Case No. 96-079. On page 2 of its July 27, 1998 Order the Commission required Columbia to file a petition, "to continue or discontinue these programs effective August 1, 1999. Any petition for continuance shall be accompanied by a more comprehensive gas cost incentive program..." The application filed in this case, seeking approval of the small volume gas transportation program, is Columbia's proposal for a "more comprehensive gas incentive program" as envisioned by the Commission's Order. Columbia's specific proposals for the incentive revenues are further addressed in the testimony of Columbia witness Phelps.

Q. Please provide a general overview of the proposed continuation of the Customer Assistance Program ("CAP").

A. As part of its application, Columbia proposes to continue the CAP program through the term of the small volume gas transportation program. The Collaborative has agreed that the program is benefiting those that the program is intended to assist and that it should continue in its current form. The program will be administered by the Community Action Council ("CAC") and will operate using a $175,000 annual contribution from Columbia's shareholders and the continuation of the current 1.5 cent per Mcf charge on all residential, non-CAP throughput. Approximately 450, but as many as possible, participants will be served within this budget of approximately $350,000 per year. To further decrease the costs to serve CAP customers, the CAC will aggregate the CAP participants and take bids from certified marketers to serve these customers under the small volume gas transportation program, thereby ensuring that CAP customers will benefit from the program as well.

Q. Does this complete your prepared direct testimony in this proceeding?

A. Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Prepared Direct Testimony of Stephen R. Byars was served upon all parties of record by regular U.S. Mail this 16th day of July, 1999.

Stephen B. Seiple / SRB

Stephen B. Seiple
Attorney for
COLUMBIA GAS OF KENTUCKY, INC.

SERVICE LIST

Hon. Richard S. Taylor
Attorney at Law
Capital Link Consultants
315 High Street
Frankfort, KY 40601

Hon. Ann Louise Cheuvront
Assistant Attorney General
Civil & Environmental Division
Public Service Litigation Branch
P.O. Box 2000
Frankfort, KY 40602

Hon. David F. Boehm
Boehm, Kurtz & Lowry
2110 CBLD Center
36 E. Seventh Street
Cincinnati, OH 45202

Hon. Anthony G. Martin
Attorney at Law
P.O. Box 1812
Lexington, KY 40593

Mr. Edward W. Gardner
Lex-Fayette Urban County Government
200 East Main Street
Lexington, KY 40507

Commonwealth Energy Services
745 West Main – 5th Floor
Louisville, KY 40202

FSG Energy Services
6797 North High Street
Suite 314
Worthington, OH 43085

Community Action Council for Lexington-Fayette, Bourbon, Harrison & Nicholas Counties
P.O. Box 11610
892 Georgetown Street
Lexington, KY 40576

Hon. Douglas M. Brooks
Louisville Gas & Electric Co.
220 West Main Street
P.O. Box 32010
Louisville, KY 40232

Hon. John M. Dosker
Stand Energy Corporation
1077 Celestial Street
Suite #110
Cincinnati, OH 45202

JUL 16 1999

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
THE TARIFF FILING OF COLUMBIA GAS OF	)	
KENTUCKY, INC. TO IMPLEMENT A SMALL	)	CASE NO. 99-165
VOLUME GAS TRANSPORTATION SERVICE,	)	
TO CONTINUE ITS GAS COST INCENTIVE	)	
MECHANISMS, AND TO CONTINUE ITS	)	
CUSTOMER ASSISTANCE PROGRAM.	)	

PREPARED DIRECT TESTIMONY OF
KIMRA H. COLE
ON BEHALF OF
COLUMBIA GAS OF KENTUCKY, INC.

Andrew J. Sonderman, General Counsel
Stephen B. Seiple, Senior Attorney
Amy L. Koncelik, Attorney
200 Civic Center Drive
P. O. Box 117
Columbus, Ohio 43216-0117
Telephone: (614) 460-4648
Fax: (614) 460-6986
Email: sseiple@ceg.com

Richard S. Taylor
Capital Link Consultants
315 High Street
Frankfort, Kentucky 40601
Telephone: (502) 223-8967
Fax: (502) 226-6383

Attorneys for
COLUMBIA GAS OF KENTUCKY, INC.

July 16, 1999

PREPARED DIRECT TESTIMONY OF KIMRA H. COLE

Q: Please state your name and business address.

A: Kimra Cole, 2001 Mercer Road, Lexington, Kentucky.

Q: By whom are you employed?

A: I am employed by Columbia Gas of Kentucky, Inc. ("Columbia")

Q: What is your position with Columbia?

A: I am Director of Sales & Marketing.

Q: Please describe your employment history with Columbia.

A: I began my employment with Columbia Gas of Kentucky in 1987 as an Industrial Marketing Engineer. In this position, I was directly responsible for the Industrial Market. I was promoted to District Marketing Manager in 1991. As District Marketing Manager I was responsible for the overseeing the department that provided direct marketing to residential, commercial, and industrial accounts. I was promoted to Director of Sales and Marketing in 1995. In this role I have direct oversight for all Sales, Marketing, and New Business activities for Columbia.

Q: Please describe your professional training and industry affiliations.

A: I have a Master in Business Administration and a Bachelors of Science in Chemical Engineering from the University of Kentucky. I am a member of the Kentucky Gas Association's Marketing committee, American Gas Association, American Society of Heating, Refrigeration, and Air Conditioning Engineers and Southern Gas Association .

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to explain the proposed tariffs that provide the ability for customers to choose whether they purchase their natural gas from Columbia or from an alternative supplier.

Q: Please describe the tariffs that provide this choice.

A: There are three new tariff sections that are the nucleus of Columbia's program. They are the Small Volume Gas Transportation Service ("Rate Schedule SVGTS"), Small Volume Aggregation Service ("Rate Schedule SVAS") and the Stranded Cost/Recovery Pool. There are also modifications to five sections of Columbia's existing tariff to incorporate and properly reference the additions.

Q: What is the purpose of Rate Schedule SVGTS?

A: Rate Schedule SVGTS will be the applicable service classification for customers that decide to choose an alternative supplier under this program. These customers would otherwise be classified under General Service, Inland 6 or Intrastate Utility Service Rate Schedules if they remained traditional sales service customers of Columbia. In essence, the provisions of the customer's otherwise applicable sales tariff remain the same except SVGTS customers are exempt from the Gas Cost Adjustment ("GCA"). The GCA is replaced with a marketer's rate for the commodity. Original Sheets No. 30, 31 and 32 are proposed to consolidate the otherwise applicable sales service terms, with the availability requirement for SVGTS that a customer be a member of a marketer's customer group and have average annual usage of less than 25,000 Mcf.

Q: What is the purpose of Rate Schedule SVAS?

A: Rate Schedule SVAS, including the General Terms and Conditions specifically attached to Rate Schedule SVAS, will be applicable to marketers providing the supply of natural gas to customers that choose to select an alternative supplier. Rate Schedule SVAS includes a new rate that will be charged the marketer for all volumes Columbia delivers to the marketer's customer group each billing month. Rate Schedule SVAS is set forth as Original Sheets No. 33 through 33f in Columbia's tariff. The General Terms and Conditions are set forth as Original Sheets No. 37 through 37l.

Q: What is the purpose of the Stranded Cost/Recovery Pool tariff?

A: The proposed Stranded Cost/Recovery Pool tariff establishes the tracking mechanism for specified charges and revenue opportunities that are a result of this program. It is the financial model, as described by Columbia witness Scott Phelps, reduced to writing and set forth on Original Sheets No. 58 and 59.

Q: Why does Columbia propose that Rate Schedule SVGTS be available to customers with annual requirements less than 25,000 Mcf? Are not customers with usage of 6,000 Mcf or more already eligible for transportation?

A: Customers with annual requirements of not less than 6,000 Mcf are currently offered transportation under Rate Schedule DS. However, customers with annual requirements below 25,000 Mcf are considered firm customers and must contract for Standby Service from Columbia for that portion of their requirements not protected by an alternate energy source. Rate Schedule SVGTS inherently provides firm standby because it is firm transportation and Columbia remains the supplier of last resort. Therefore, as part of the application filed in this case, Columbia has proposed to modify the minimum annual requirement of its existing Rate Schedule DS to a minimum of 25,000 Mcf.

Q: Does Columbia currently have customers served under Rate Schedule DS with average annual requirements between 6,000 and 25,000 Mcf that would no longer be eligible for transportation?

A: As of April 1, 1999, there are 46 customers between 6,000 and 25,000 Mcf annual usage transporting gas under Rate Schedule DS. Columbia proposes to grandfather these customers so they may continue service under Rate Schedule DS. These customers will also have the option of converting to Rate Schedule SVGTS.

Q: How did Columbia derive the delivery charges in Rate Schedule SVGTS?

A: The delivery charges are the base rates under the existing tariffs that have merely been transferred into this rate schedule along with the Weather Normalization Adjustment, Customer Assistance Program Surcharge, Local Franchise Fee or Tax, Late Payment Penalty and General Terms, Conditions, Rules and Regulations clauses.

The proposed program simply offers Columbia's residential and small commercial customers a gas supply alternative. Under the program Columbia will continue to provide all of the same services to customers who choose an alternate gas supplier as to those customers who choose to remain a sales customer of Columbia. The rate for delivery of natural gas to sales and small volume gas transportation service customers will be the same. That rate is the applicable base rate under Columbia's existing tariff – a rate that has been cost justified and approved by the Commission.

The justification for using Columbia's existing base rates as the base rates for the small volume gas transportation service was set forth in the Response of Columbia Gas of Kentucky, Inc. to Commission Order Dated May 28, 1999, filed on June 3, 1999, a copy of which is attached hereto as Attachment A, and incorporated by reference herein; and in the Supplemental Response of Columbia Gas of Kentucky, Inc. to Commission Order dated May 28, 1999, filed on June 18, 1999, a copy of which is attached hereto as Attachment B, and incorporated by reference herein.

Q: How did Columbia derive the rates charged to Marketers under Rate Schedule SVAS?

A: On page 3 of the Order in Administrative Case 367 the Commission stated that marketers seeking to offer competitive services to Kentucky consumers are expected to participate in the education process and to "foot the bill" for their own efforts. The five cent per Mcf rate is the marketers' contribution to help offset stranded costs. The revenues generated under this rate schedule will be credited to the Stranded Cost/Recovery Pool account. The rate is the product of Collaborative negotiations.

Q: How is the Gas Cost Adjustment Clause impacted by the proposed program?

A: The Gas Cost Adjustment Clause is impacted in two ways. First, the Expected Gas Cost Component, more specifically the billing determinants in the Expected Demand Gas Cost are fixed at the billing determinants in effect on April 1, 1999, and the divisor is the sum of sales volumes plus SVGTS volumes, in order to prevent the expected gas cost from increasing due to customers converting to transportation. This will insure that traditional sales service customers are not affected by the choices of other customers or Columbia's implementation of this program. These changes are set forth on Second Revised Sheet No. 48 and Third Revised Sheet No. 49 of Columbia's tariff. Second, the customer's portion of revenues from capacity release, except administrative releases and off-system sales, except operational sales, will be credited to the Stranded Cost/Recovery Pool rather than the Actual Cost Adjustment. Revenues from administrative releases and operational off-system sales will continue to be credited to the Actual Cost Adjustment. These changes are set forth on Seventh Revised Sheet No. 50 and Fourth Revised Sheet No. 50a.

Q. Please explain why this approach was adopted.

A. As part of the discussions with the Collaborative, this approach offered a solution to meet many of the program goals. It created a revenue stream to offset stranded cost. It is transparent to the customers. It created a gas cost that was more reflective of the marketplace than Columbia's GCR, and it also allowed Columbia to introduce small volume transportation without an additional surcharge to customers.

Q. Are there any other changes to Columbia's existing tariff?

A. Yes. Second Revised Sheet No. 51a the Weather Normalization Adjustment and First Revised Sheet 51b the Customer Assistance Program are proposed to include the appropriate references to Rate Schedule SVGTS. It is necessary that all elements of the otherwise applicable sales tariffs be retained for SVGTS customers in order to ensure that the only change that results from a customer's choice of an alternative supplier is a change in the commodity cost of gas.

Q: The Commission's Order of July 1, 1998 in Administrative Case No.367 identified several issues that any customer choice program must address. How has Columbia addressed each of those issues in its proposal?

A: One of the issues identified by the Commission was the issue of how the supplier of last resort concern will be dealt with. Concerning the obligation to serve and the supplier of last resort, Columbia will remain the provider of last resort and maintain its obligation to serve for the duration of this program, unless Columbia subsequently petitions the Commission otherwise.

Another issue identified by the Commission was non-discriminatory access to services offered. Columbia has ensured that sales service customers are not discriminated against under its program by revising the Gas Cost Adjustment mechanism to prevent the declining sales volumes from increasing the per Mcf rate for gas cost. The difference is a stranded cost as reflected in the financial model. Further, non-discriminatory access to transportation has been assured to all customers by Columbia's retention of billing and collection functions. A marketer will be indifferent to the payment history of potential customers – an issue that was of great concern to Columbia's Collaborative.

The Commission also expressed interest in codes of conduct for marketers and LDC affiliates. Columbia has included in the general terms and conditions attached to Rate Schedule SVAS a Code of Conduct applicable to marketers and Standards of Conduct to which it will adhere for marketing affiliates.

Concerning the pricing of services, Columbia has proposed that the rate for the delivery service for SVGTS should be the same as our current approved base rate since the services provided remain the same. New services include SVAS (marketer contribution) and balancing charges. The SVAS rate was established as part of the collaborative discussions as a marketer contribution towards stranded cost. Columbia witness Phelps discusses the balancing charge. The cost for billing and billing rate changes were agreed to by the Collaborative. They were determined to be reasonable rates that did not subsidize the marketers' cost of gas nor provide revenue opportunity for Columbia.

With regard to billing, customers will continue to receive one bill provided by Columbia. Columbia will revise its bill format to identify the marketer selected by the customer and include the marketer's commodity information on Columbia's bill. The customer will continue to remit their payment to Columbia.

The Commission also expressed interest in the evidence of workable competition, but Columbia has not attempted to define "workable competition." It is not necessary to do so because Columbia has not proposed, as part of this application, to exit the merchant function. As long as Columbia remains in the merchant function with a regulated gas commodity rate the definition of workable competition is irrelevant.

Regarding the stakeholder participation in the formulation of the program, Columbia is very proud of the participation of its Collaborative. The proposed program is the result of negotiation and compromise among the Collaborative consistent with public and shareholder interest. We believe that the application filed in this case represents a proposal with broad-based support of Columbia's customer groups, and as such is entitled to serious consideration by the Commission.

Customer education is discussed in testimony of Columbia witness Byars.

Concerning certification of suppliers, Columbia will certify suppliers according to the parameters set forth in Rate Schedule SVAS.

As the company moves from the current environment of bundled costs to an environment where customers are offered choices, Columbia in its financial model has grouped all costs likely to be incurred in that transition into a "Stranded Cost/Recovery Pool." In essence, these are all transition costs since Columbia will not be left with assets that are not used or useful in the future.

Concerning uncollectibles and disconnections, Columbia has addressed this by retaining the billing and collection responsibility. Columbia's current practices for uncollectibles and disconnections will not change under this program.

Concerning balancing requirements to maintain system integrity, Columbia has addressed this in the testimony of Columbia witness Phelps.

Concerning access to pipeline and storage capacity, Columbia has addressed these issues in the testimony of Columbia witness Phelps and Rate Schedule SVAS.

Q. Does this complete your Prepared Direct Testimony?

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Prepared Direct Testimony of Kimra H. Cole was served upon all parties of record by regular U.S. Mail this 16th day of July, 1999.

Stephen B. Seiple / SRB

Stephen B. Seiple
Attorney for
COLUMBIA GAS OF KENTUCKY, INC.

SERVICE LIST

Hon. Richard S. Taylor
Attorney at Law
Capital Link Consultants
315 High Street
Frankfort, KY 40601

Hon. David F. Boehm
Boehm, Kurtz & Lowry
2110 CBLD Center
36 E. Seventh Street
Cincinnati, OH 45202

Mr. Edward W. Gardner
Lex-Fayette Urban County Government
200 East Main Street
Lexington, KY 40507

Hon. Ann Louise Cheuvront
Assistant Attorney General
Civil & Environmental Division
Public Service Litigation Branch
P.O. Box 2000
Frankfort, KY 40602

Hon. Anthony G. Martin
Attorney at Law
P.O. Box 1812
Lexington, KY 40593

Commonwealth Energy Services
745 West Main – 5th Floor
Louisville, KY 40202

FSG Energy Services
6797 North High Street
Suite 314
Worthington, OH 43085

Community Action Council for Lexington-Fayette, Bourbon, Harrison & Nicholas Counties
P.O. Box 11610
892 Georgetown Street
Lexington, KY 40576

Hon. Douglas M. Brooks
Louisville Gas & Electric Co.
220 West Main Street
P.O. Box 32010
Louisville, KY 40232

Hon. John M. Dosker
Stand Energy Corporation
1077 Celestial Street
Suite #110
Cincinnati, OH 45202

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

July 2, 1999

To: All parties of record

RE: Case No. 99-165

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Stephanie Bell
Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

Honorable Stephen Seiple
Senior Attorney
Columbia Gas of Knetucky, Inc.
200 Civic Center Drive
P. O. Box 17
Columbus, OH 43216 0117

Honorable Anthony G. Martin
Attorney at Law
P. O. Box 1812
Lexington, KY 40593

Honorable Richard S. Taylor
Attorney at Law
Capital Link Consultants
315 High Street
Frankfort, KY 40601

Community Action Council for
Lexington-Fayette, Bourbon, Harrison
& Nicholas Counties
P. O. Box 11610
892 Georgetown Street
Lexington, KY 40576

Honorable David F. Boehm
Attorney at Law
Boehm, Kurtz & Lowry
3110 CBLD Center
36 East Seventh Street
Cincinnati, OH 45202

Richard S. Minch
Manager, Regulatory Services
Columbia Gas of Kentucky, Inc.
2001 Mercer Road
P. O. Box 14241
Lexington, KY 40512 4241

Mr. Edward W. Gardner
Lex-Fayette Urban County Government
200 East Main Street
Lexington, KY 40507

Honorable Douglas M. Brooks
Counsel for LG&E Energy Corp.
Louisville Gas and Electric Company
220 West Main Street
P.O. Box 32010
Louisville, KY 40232

Commonwealth Energy Services
745 West Main - 5th Floor
Louisville, KY 40202

Hon. John M. Dosker
In House Counsel
Stand Energy Corporation
1077 Celestial Street
Suite #110
Cincinnati, OH 45202

FSG Energy Services
6797 North High Street
Suite 314
Worthington, OH 43085

Honorable Ann Louise Cheuvront
Assistant Attorney General
Civil & Environmental Division
Public Service Litigation Branch
1024 Capital Center Drive
Frankfort, KY 40602

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF COLUMBIA GAS OF KENTUCKY, INC. TO IMPLEMENT A SMALL VOLUME GAS TRANSPORTATION SERVICE, TO CONTINUE ITS GAS COST INCENTIVE MECHANISMS, AND TO CONTINUE ITS CUSTOMER ASSISTANCE PROGRAM	)))))))	CASE NO. 99-165

ORDER

IT IS ORDERED that Columbia Gas of Kentucky, Inc. ("Columbia") shall file the original and 10 copies of the following information with the Commission. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a response requires multiple pages, each page should be indexed appropriately, for example, Item 1(a), page 2 of 4. With each response, include the name of the witness who will be responsible for responding to questions related thereto. Careful attention should be given to copied material to ensure that it is legible. The response to this request is due July 16, 1999.

1. Columbia's stated intention is for its small volume transportation program to be revenue neutral for Columbia.

a. That being the case, explain the rationale behind Columbia's proposed retention of revenue opportunities which exceed stranded cost up to $3 million (or absorption of stranded costs that exceed revenue opportunities by $3 million or less).

b. Does Columbia also intend for the program to be net income neutral?

2. Why did Columbia choose $3 million as the dollar amount up to which it would absorb or retain excess costs or revenues?

3. In what way will small volume transportation program customers contribute toward the recovery of stranded cost?

4. Columbia states on page 4 of its application that its Expected Gas Cost for continuing Columbia sales customers will remain the same as if the small volume transportation program did not exist. Explain the effect on the Gas Cost Recovery ("GCR") rate of the existence of the small volume transportation program. Will the GCR rate increase or decrease? Will the effect be transparent to customers?

5. Given Columbia's proposed method to cover stranded cost through the "revenue opportunities" identified, a small volume customer who chooses to remain with Columbia as its gas supplier will lose incentive plan credits to his or her bill once the program is implemented. Explain how this residential customer has benefited from the implementation of this program.

6. In Columbia's opinion, is it appropriate or reasonable to artificially fix or alter components of the GCR mechanism in order to cover stranded costs, especially to the extent that they are not related to gas cost?

7. Why did Columbia choose the "revenue opportunity" method of covering stranded cost? List other recovery methodologies that were considered by the

collaborative. Columbia's response should include stranded cost recovery methods used by other Columbia distribution companies with small volume transportation programs. Why were the other methodologies rejected?

8. Compare individually the price transparency of the "revenue opportunity" method of stranded cost recovery to the price transparency inherent in the other methodologies considered and rejected by Columbia.

9. On page 2 of its application, Columbia states that large volume customers have seen the commodity cost of gas decrease with the advent of supplier choice programs. Based upon Columbia distribution companies' experience in other states, provide documentation demonstrating that the commodity cost of gas has declined for small commercial and residential customers electing to switch gas suppliers.

10. Provide Columbia's earned return on equity for the last five years. Provide all supporting computations and documentation, and indicate whether the equity amount used in the calculations was average, year-end, or something else.

11. Has Columbia considered an outright absorption of stranded cost up to a certain level of earnings? Why or why not? What does Columbia consider to be a fair return on equity under current economic conditions? Explain.

12. Why has Columbia proposed to require sales customers to forego their portion of gas cost incentive revenues in order to fund stranded costs, while Columbia would retain its portion?

13. Refer to the last sentence of the first paragraph of page 6. What funding mechanism does Columbia foresee recommending to the collaborative to enable it to recover any shortfall of revenue?

14. What will be the impact on the capacity release benchmark of the proposed reestablishment of the benchmark and fixing it through October 31, 2004? Explain why Columbia has made this proposal.

15. Page 6 of the application states that at the end of the program Columbia will compare stranded costs with off-setting revenues. Why does Columbia propose to wait five years to perform this comparison?

16. Why does Columbia propose to begin its program at the beginning of the heating season, as opposed to some other time of year? Would it be easier for marketers to begin marketing their gas outside the heating season, and have time to enroll more customers before winter?

17. Assuming that the small volume transportation program is a success and that Columbia concludes it should propose to exit the merchant function, provide a definition of a competitive marketplace that the Commission could use in considering such an application.

18. Refer to Exhibit A, the Financial Model.

a. How did Columbia determine the estimated participation levels? Provide workpapers and explanations of all assumptions.

b. How did Columbia determine the estimated marketer election of capacity? Provide workpapers and explanations of all assumptions.

c. How did Columbia determine estimated information technology costs? Provide workpapers and explanations of all assumptions.

d. How did Columbia determine how many commercial customers would choose to participate in the small volume transportation program in order to estimate lost standby charge revenues? Provide workpapers and explanations of all assumptions.

e. How did Columbia determine the amount of capacity that marketers would choose to take and use in estimating revenue opportunities generated by capacity assignment on line 5a? Will Columbia retain its sharing percentage pursuant to its gas cost incentive plan when marketers choose capacity assignment? If yes, do the amounts on line 5a reflect that sharing? Provide workpapers and explanations of all assumptions.

f. How did Columbia estimate revenue opportunities resulting from the imposition of balancing charges as set out on line 5b? Provide workpapers and explanations of all assumptions.

g. How did Columbia determine estimated total off-system sales revenues in calculating revenue opportunities as set out on line 5d? Provide workpapers and explanations of all assumptions.

h. How did Columbia determine estimated capacity release revenues in calculating revenue opportunities as set on line 5e? How do these estimated levels compare to Columbia's historical experience in releasing capacity? Provide workpapers and explanations of all assumptions.

i. Is the estimated marketer contribution on line 5f composed of penalties?

19. Refer to Exhibit D, 3), Balancing Charge.

a. Provide a narrative explanation for the calculation of the 35-cent charge as set out on this page.

b. Is the 35-cent per Mcf charge based on the expected cost for Columbia to perform balancing services in the year 2000 only?

20. Refer to Exhibit D, 4), Minimum Assignment of Storage Capacity. Provide a narrative explanation of this Exhibit and explain its relationship to the Financial Model in Exhibit A.

21. Provide cost support for the proposed use of the existing delivery charge for sales customers as the rate for providing the proposed small volume transportation service. The information supplied should be in sufficient detail to show that the delivery charge is representative of the cost to provide the small volume transportation program service as contemplated by Columbia's application. Any anticipated cost shifts and their expected magnitude should be specifically identified. Provide detailed descriptions of the costs and accounts included in the response and thorough narrative explanations for all calculations.

22. Is the existing GCA process and methodology for passing through gas cost sufficient to make the GCR rate fully comparable to gas prices that will be offered by marketers? Should delivery charges and GCR rates be re-aligned so that a true "apples to apples" comparison between GCR rates and marketers prices is possible? If not, why?

23. Describe the efforts that Columbia will make to track costs and cost shifts associated with the provision of small volume transportation program service. What kind of studies or reports is Columbia prepared to file in the future to show the Commission what adjustment in its rates should be made to reflect the true cost of providing all services offered by Columbia?

24. Will Columbia have to modify its accounting in any way to accommodate the tracking of costs and revenues related to the small volume transportation program?

25. Provide the accounts and sub-accounts Columbia will use to functionally categorize and separate the costs associated with providing the services identified in the small volume transportation program from that of other services offered under existing tariffs. For example, as employees spend more time interacting with retail suppliers and less on procuring gas for bundled services, provide the new sub-accounts Columbia will use to track these costs, including monitoring suppliers for balance requirements, banking services, and so forth.

26. Provide the work order system Columbia has developed to track labor and other costs associated with small volume transportation program service. If no system has been developed, is one envisioned? If not, why not?

27. Will Columbia's current chart of accounts accommodate new business activities?

a. If not, has Columbia considered re-designing its chart of accounts to better reflect a more competitive environment? If no, why not?

b. If yes, please discuss efforts to date and include copies of all changes made to Columbia's work order system to address the evolving marketplace.

28. Provide the journal entries Columbia will use to record the collection and remittance of gross receipts taxes and other taxes on sales made by a marketer.

29. Exhibit B, Program Description, refers to the development of the education plan and materials prior to the start of the 60-day moratorium. What is the status of

these efforts? Describe the process Columbia will use to develop the plan and materials.

30. Describe the educational efforts of other Columbia distribution companies as they pertain to Customer Choice programs. Have any studies been undertaken to gauge their success? If so, what were the results? Provide copies of any published studies.

31. Has Columbia received indications from marketers that they are prepared to market gas to small volume transportation program customers? If so, from how many? In Columbia's opinion, how many non-affiliated marketers need to participate to make the small volume transportation program viable?

32. Have any Columbia distribution companies required marketers to purchase pipeline capacity in order to participate in Customer Choice programs? If yes, what has been their experience with marketer participation in their programs?

33. Has Columbia considered offering any unbundled services other than small volume transportation? If so, which services has it considered and why did it decide not to propose them at this time? If not, why not?

34. Define "marketer" as envisioned in Columbia's proposed tariff.

35. Provide the marketer eligibility requirements employed in other jurisdictions where Columbia distribution companies have Customer Choice programs, either on a pilot or permanent basis. Provide justification for any differences in those requirements and the requirements proposed by Columbia in this proceeding.

36. Are marketers required to file with, or to be certified by, the state commission before they can provide service in states where Columbia affiliates have

Customer Choice programs? If yes, provide the filing requirements, including any annual filings, and any certification process requirements in each jurisdiction.

37. With regard to proposed Marketer Eligibility requirements included in Columbia's proposed tariff (Attachment C, Original Sheet No. 33) and discussed on page 3 of the application:

a. Provide the "standard credit factors" that Columbia will employ in evaluating a marketer's credit worthiness. Include with these factors the dollar level range for each factor, the basis for the factors, and the basis for the dollar ranges proposed.

b. Provide the dollar credit level Columbia will require a marketer to achieve before requiring additional security. How was this level determined to be the minimum level necessary to participate without additional security requirements?

c. How will Columbia determine the amount of any additional security required of a marketer not meeting its necessary dollar credit level?

d. Explain how Columbia determined that a fee of $50 would be sufficient to cover the cost of performing a credit worthiness determination. Provide cost support for this charge.

e. Will Columbia be able to perform the monthly review of marketers' programs with existing staff? Will this be one of the cost shifts inherent in initiating the new small volume transportation program?

38. With regard to the Aggregation Agreement included in Columbia's proposed tariff (Attachment C, Original Sheet No. 33) and discussed on page 3 of the application:

a. Explain why a marketer should be required to sign an Aggregation Agreement with Columbia in order to participate in the small volume transportation program.

b. Define "Customer Group." Is there more to the definition than what is contained in (1)(a) of the Availability section of proposed Original Sheet No. 30?

c. Define "Market Area."

d. How many market areas does Columbia Gas Transmission Corporation have in the area served by Columbia?

e. If there is more than one market area in Columbia's distribution system, will a marketer be required to have 100 customers or 10,000 Mcf annually in each market area in order to participate in the program?

39. Compare the Aggregation Agreement in Exhibit F to aggregation agreements used in other Columbia distribution companies' programs. Are there features of Columbia's proposed agreement that are specifically excluded from those of the other companies' programs, or features excluded from the proposed agreement that are specifically included in other companies' programs?

40. Is any explanation made in the proposed Aggregation Agreement or tariffs of the 97.5 percent multiplier that Columbia would apply to marketer revenues?

41. Provide cost justification for the $.05 per Mcf for all volumes delivered to the marketer's customer group during the billing month. How is this an additional cost to the utility not currently being recovered through Columbia's existing rates?

42. Compare the Customer Enrollment Procedures proposed in this program to procedures developed in other Columbia distribution companies' Customer Choice

programs. Are there features of other programs' procedures that Columbia elected to omit from this program, or features specifically excluded from other programs that are included in this program? If so, why?

43. Refer to page four of Exhibit B. What customer rights and responsibilities are to be included in the written agreement? Are these specifically set out somewhere in this application, or are they to be developed by the marketer?

44. Are telephone and Internet enrollment permitted in other jurisdictions where Columbia distribution companies have small volume transportation programs?

45. With regard to Columbia's Standards of Conduct and Code of Conduct included on page 8 of the application, provide a comparative analysis of this code with the codes employed in other jurisdictions where Columbia distribution companies have pilot or permanent Customer Choice programs.

46. Refer to Standards of Conduct (3), page 8 of Exhibit B. What ancillary services that are not tariffed does Columbia foresee providing to marketers?

47. Refer to page 9, paragraph (12) of Exhibit B. Would Columbia file an annual report with the Commission summarizing complaint statements?

48. Provide the cost allocation procedures or manual Columbia will employ in recording transactions with affiliates.

49. Refer to page 11, Dispute Resolution, paragraph 2. Should marketers be required to provide materials to Columbia and the Commission, even if no request is made? In Columbia's opinion, would this improve quality control of the program?

50. Is Columbia or the collaborative aware of dispute resolution processes in other jurisdictions that do not involve state commissions? Explain.

51. Will Columbia's continued performance of the billing function discourage marketers from participating in the program? Do Columbia distribution companies perform this function in other jurisdictions? Why or why not?

52. Provide cost support for the proposed $25 charge for each billing rate change.

53. Provide narrative justification and cost support for the proposal to retain 2.5 percent of marketer revenues.

54. Provide cost support for the proposed $.20 per account per month charge to provide billing for marketers.

55. Will Columbia remain responsible for any required adjustments to small volume transportation program customers' budget payment amounts?

56. Are marketers required to have in-state offices in other jurisdictions where Columbia distribution companies have Customer Choice programs?

57. According to the Availability section of proposed Original Sheet No. 30 of the small volume transportation service tariff, this service will be available to IUS customers. Explain the applicability of this service to IUS customers, and why they might be interested in such a service as opposed to IUS Delivery Service. Would IUS customers avoid the $65 Administrative Charge and the demand component of gas cost if they subscribed to the small volume transportation program?

58. Refer to Fourth Revised Sheet No. 38 dealing with Delivery Service in Exhibit C, Proposed Tariffs Effective 11/1/99. Explain the text change in line (2) in the Availability section and the new language in the Customers Grandfathered paragraph.

59. Refer to Third Revised Sheet No. 49 dealing with Gas Cost Adjustment Clause, Definitions in Exhibit C, Proposed Tariffs Effective 11/1/99. Explain the text change in definition (a) which sets out that Expected Demand Gas Cost shall be divided by sales plus Rate Schedule SGVTS volumes.

60. Refer to Original Sheet Nos. 58 and 59 of Exhibit C, Proposed Tariffs Effective 11/1/99. Is Columbia willing to revise the language explaining the Stranded Cost/Recovery Pool so that it is as explanatory to the reader as pages five through eight of the application?

61. Columbia proposes to continue the Customer Assistance Program ("CAP") plan in a slightly modified form for the duration of the proposed small volume gas transportation program.

a. Page 9 of the application includes a statement that improvements to the CAP plan, gleaned from the three-year pilot, will be implemented to decrease administrative costs and serve more customers under the annual budget of $350,000. Describe in detail the improvements that Columbia proposes to implement.

b. Page 10 of the application references the CAP participants and indicates that they will benefit from the savings afforded by the small volume gas transportation program. Explain how these customers will benefit from being included in the small volume transportation program when their payments for gas service are based on a percentage of their income.

c. Explain the reasoning for requiring CAP participants to participate in the small volume transportation program as a condition of participating in the CAP plan.

62. Refer to Attachment D, Program Description, Page 13, where the description of the CAP plan references the program's recent evaluation by a third party. The sentence indicates the evaluation substantiates the effectiveness of the program by: (1) encouraging consistent customer payment; (2) reducing arrearage levels; (3) reducing terminations; and (4) encouraging energy conservation.

a. Provide a direct reference to the section(s) of the third-party evaluator's report that support each of the four program benefits cited above.

b. Provide a detailed explanation for how Columbia determined that any part of the third-party evaluator's report supports the contention that the CAP program has encouraged energy conservation.

63. Refer to Attachment B, Program Description, Page 14, the first paragraph describing the basic guidelines for continuation of the CAP plan. This section refers to low-income customers making their monthly payments based on their ability to pay, as determined by the relationship of their income to the federally recognized poverty level.

a. Will the payments continue at the same percentages as during the pilot (5 percent of income if below 75 percent of the poverty level and 7 percent of income if between 75 percent and 110 percent of the poverty level) or will they be changed? If changed, to what levels and why?

b. The proposed CAP tariff contains a limited amount of information about the program. Was any consideration given to including additional information regarding customer eligibility, required participation in the small volume transportation program, or required payment amounts or percentages in the text of the tariff? If not, explain the reasoning for not including some, or all, of this information in the tariff.

64. The Commission's November 1, 1994 Order in Case No. 94-179[1] approving the CAP plan as part of the Joint Stipulation and Recommendation filed by the parties to that case stated in part, on page 5, "the parties should be able to demonstrate that benefits will accrue to all ratepayers as a result of implementing the pilot program. The benefits will be a crucial factor for review if the Commission is asked in the future to approve the program on a permanent basis."

a. The pilot is scheduled to expire October 31, 1999, and the application asks that the program be continued for the duration of the small volume gas transportation program, until October 31, 2004. Is the proposed five-year extension of the program not considered a request for "permanent" approval of the program?

b. Does either the application or the third-party evaluator's report demonstrate benefits to any ratepayers other than the CAP participants?

c. Has there been any attempted study or assessment by Columbia or others, to determine what benefits, if any, the general body of ratepayers has received as a result of the CAP pilot? If yes, provide the study and/or assessment results.

65. Is it Columbia's opinion that a continuation of its Gas Cost Incentive program as proposed in this application represents a more comprehensive gas cost incentive program? If yes, in what way?

66. Why did Columbia not propose to include other elements of its gas cost such as gas commodity and transportation costs in its Gas Cost Incentive program?

[1] Case No. 94-179, Notice of Adjustment of the Rates of Columbia Gas of Kentucky, Inc. on and After July 1, 1994, Order entered November 1, 1994.

67. If the Commission decides to discontinue the Gas Cost Incentive program, or determines that the customer portion of incentive revenues should not be considered as "revenue opportunities," how would Columbia propose to cover stranded costs?

Done at Frankfort, Kentucky, this 2nd day of July, 1999.

By the Commission

ATTEST:

Helen C. Helton

Executive Director

COMMUNITY ACTION COUNCIL
for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties

RECEIVED
JUN 29 1999
PUBLIC SERVICE
COMMISSION

June 24, 1999

Ms. Helen C. Helton
Executive Director
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40602

RE:	**THE TARIFF FILING OF COLUMBIA GAS OF KENTUCKY, INC. TO IMPLEMENT A SMALL VOLUME GAS TRANSPORTATION SERVICE TO CONTINUE ITS COST INCENTIVE MECHANISMS AND TO CONTINUE ITS CUSTOMER ASSISTANCE PROGRAM**	**Case No. 99-165**

Dear Ms. Helton:

On the 18th of June, 1999, Columbia Gas of Kentucky, Inc. filed a ***Supplemental Response to Commission Order Dated May 28, 1999***. Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties participated in the stakeholder meetings held prior to the filing of this case and continues to agree with the position expressed in the response.

Sincerely,

Jack Burch
Executive Director

Cc: Service List – Case No. 99-165

P.O. Box 11610
Lexington, Kentucky 40576
(606) 233-4600
FAX: (606) 244-2219
TDD: 1-800-648-6056

CENTRAL OFFICES: 892, 894 & 913 Georgetown Street ○ Lexington, Kentucky

SERVICE LIST 6/24/99

Honorable Stephen Seiple
Senior Attorney
Columbia Gas of Kentucky, Inc.
200 Civic Center Drive
P. O. Box 17
Columbus, OH. 43216 0117

Honorable Richard S. Taylor
Attorney at Law
Capital Link Consultants
315 High Street
Frankfort, KY 40601

Honorable David F. Boehm
Attorney at Law
Boehm, Kurtz & Lowry
3110 CBLD Center
36 East Seventh St.
Cincinnati, OH 45202

Mr. Edward W. Gardner
Lex-Fayette Urban County
Government
200 East Main Street
Lexington, KY 40507

Commonwealth Energy Services
745 West Main - 5th Floor
Louisville, KY. 40202

FSG Energy Services
6797 North High Street
Suite 314
Worthington, OH 43085

Honorable Ann Louise Cheuvront
Assistant Attorney General
Civil & Environmental Division
Public Service Litigation Branch
1024 Capital Center Drive
Frankfort, KY 40602

Honorable Anthony G. Martin
Attorney at Law
P. O. Box 1812
Lexington, KY 40593

Richard S. Minch
Manager, Regulatory Services
Columbia Gas of Kentucky, Inc.
2001 Mercer Road
P. O. Box 14241
Lexington, KY. 40512 4241

Honorable Douglas M. Brooks
Counsel for LG&E Energy Corp.
Louisville Gas and Electric Company
220 West Main Street
P.O. Box 32010
Louisville, KY. 40232

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

June 28, 1999

To: All parties of record

RE: Case No. 99-165

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

Honorable Stephen Seiple
Senior Attorney
Columbia Gas of Knetucky, Inc.
200 Civic Center Drive
P. O. Box 17
Columbus, OH 43216 0117

Honorable Anthony G. Martin
Attorney at Law
P. O. Box 1812
Lexington, KY 40593

Honorable Richard S. Taylor
Attorney at Law
Capital Link Consultants
315 High Street
Frankfort, KY 40601

Community Action Council for
Lexington-Fayette, Bourbon, Harrison
& Nicholas Counties
P. O. Box 11610
892 Georgetown Street
Lexington, KY 40576

Honorable David F. Boehm
Attorney at Law
Boehm, Kurtz & Lowry
3110 CBLD Center
36 East Seventh Street
Cincinnati, OH 45202

Richard S. Minch
Manager, Regulatory Services
Columbia Gas of Kentucky, Inc.
2001 Mercer Road
P. O. Box 14241
Lexington, KY 40512 4241

Mr. Edward W. Gardner
Lex-Fayette Urban County Government
200 East Main Street
Lexington, KY 40507

Honorable Douglas M. Brooks
Counsel for LG&E Energy Corp.
Louisville Gas and Electric Company
220 West Main Street
P.O. Box 32010
Louisville, KY 40232

Commonwealth Energy Services
745 West Main - 5th Floor
Louisville, KY 40202

Hon. John M. Dosker
In House Counsel
Stand Energy Corporation
1077 Celestial Street
Suite #110
Cincinnati, OH 45202

FSG Energy Services
6797 North High Street
Suite 314
Worthington, OH 43085

Honorable Ann Louise Cheuvront
Assistant Attorney General
Civil & Environmental Division
Public Service Litigation Branch
1024 Capital Center Drive
Frankfort, KY 40602

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF COLUMBIA GAS OF KENTUCKY, INC. TO IMPLEMENT A SMALL VOLUME GAS TRANSPORTATION SERVICE, TO CONTINUE ITS GAS COST INCENTIVE MECHANISMS, AND TO CONTINUE ITS CUSTOMER ASSISTANCE PROGRAM	)	CASE NO. 99-165

ORDER

This matter arising upon the motion of the Community Action Council, Inc. ("CAC"), filed June 22, 1999, for full intervention, and it appearing to the Commission that the CAC has a special interest which is not otherwise adequately represented, and that such intervention is likely to present issues and develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings, and this Commission being otherwise sufficiently advised,

IT IS HEREBY ORDERED that:

1. The motion of the CAC to intervene is granted.

2. The CAC shall be entitled to the full rights of a party and shall be served with the Commission's Orders and with filed testimony, exhibits, pleadings, correspondence, and all other documents submitted by parties after the date of this Order.

3. Should the CAC file documents of any kind with the Commission in the course of these proceedings, it shall also serve a copy of said documents on all other parties of record.

Done at Frankfort, Kentucky, this 28th day of June, 1999.

By the Commission

ATTEST:

Helen C. Helton

Executive Director

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

June 24, 1999

To: All parties of record

RE: Case No. 99-165

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

Honorable Stephen Seiple
Senior Attorney
Columbia Gas of Knetucky, Inc.
200 Civic Center Drive
P. O. Box 17
Columbus, OH 43216 0117

Honorable Anthony G. Martin
Attorney at Law
P. O. Box 1812
Lexington, KY 40593

Honorable Richard S. Taylor
Attorney at Law
Capital Link Consultants
315 High Street
Frankfort, KY 40601

Community Action Council for
Lexington-Fayette, Bourbon, Harrison
& Nicholas Counties
P. O. Box 11610
892 Georgetown Street
Lexington, KY 40576

Honorable David F. Boehm
Attorney at Law
Boehm, Kurtz & Lowry
3110 CBLD Center
36 East Seventh Street
Cincinnati, OH 45202

Richard S. Minch
Manager, Regulatory Services
Columbia Gas of Kentucky, Inc.
2001 Mercer Road
P. O. Box 14241
Lexington, KY 40512 4241

Mr. Edward W. Gardner
Lex-Fayette Urban County Government
200 East Main Street
Lexington, KY 40507

Honorable Douglas M. Brooks
Counsel for LG&E Energy Corp.
Louisville Gas and Electric Company
220 West Main Street
P.O. Box 32010
Louisville, KY 40232

Commonwealth Energy Services
745 West Main - 5th Floor
Louisville, KY 40202

Hon. John M. Dosker
In House Counsel
Stand Energy Corporation
1077 Celestial Street
Suite #110
Cincinnati, OH 45202

FSG Energy Services
6797 North High Street
Suite 314
Worthington, OH 43085

Honorable Ann Louise Cheuvront
Assistant Attorney General
Civil & Environmental Division
Public Service Litigation Branch
1024 Capital Center Drive
Frankfort, KY 40602

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF COLUMBIA GAS OF KENTUCKY, INC. TO IMPLEMENT A SMALL VOLUME GAS TRANSPORTATION SERVICE, TO CONTINUE ITS GAS COST INCENTIVE MECHANISMS, AND TO CONTINUE ITS CUSTOMER ASSISTANCE PROGRAM	)))))))	CASE NO. 99-165

<u>O R D E R</u>

On April 22, 1999, Columbia Gas of Kentucky, Inc. ("Columbia") filed an application with the Commission to implement a small volume transportation service, and to continue its gas cost incentive mechanisms as well as its customer assistance program. The Commission finds that a procedural schedule should be established to facilitate the processing of this case.

IT IS HEREBY ORDERED that:

1. The procedural schedule set forth in the Appendix to this Order shall be followed.

2. All requests for information and responses thereto shall be appropriately indexed. All responses shall include the name of the witness who will be responsible for responding to the questions related to the information provided, with copies to all parties of record and 10 copies to the Commission.

3. Columbia shall give notice of the hearing in accordance with the provisions set out in 807 KAR 5:011, Section 8(5). At the time publication is requested, it shall forward a duplicate of the notice and request to the Commission.

4. At any hearing in this matter, neither opening statements nor summarization of direct testimony shall be permitted.

5. Motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

6. All documents that this Order requires to be filed with the Commission shall be served upon all other parties by first class mail or express mail.

7. Service of any document or pleading shall be made in accordance with Administrative Regulation 807 KAR 5:001, Section 3(7), and Kentucky Civil Rule 5.02.

Done at Frankfort, Kentucky, this 24th day of June, 1999.

By the Commission

ATTEST:

Helen C Helton

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 99-165 DATED JUNE 24, 1999

All requests for information to Columbia shall be served upon Columbia no later than 07/2/99

Columbia shall file with the Commission and serve upon all parties of record its direct testimony in written verified form of each witness that it intends to call and responses to the requests for information no later than 07/16/99

First supplemental requests for information to Columbia shall be served upon Columbia no later than 07/30/99

Columbia shall file with the Commission and serve upon all parties of record its responses to the requests for information no later than 08/13/99

Second supplemental requests for information to Columbia shall be served upon Columbia no later than 08/27/99

Columbia shall file with the Commission and serve upon all parties of record its responses to the requests for information no later than 09/10/99

Intervenor testimony, if any, shall be filed with the Commission and served upon all parties of record in verified prepared form no later than 09/20/99

All requests for information to intervenors shall be served no later than 09/27/99

Intervenors shall file with the Commission and serve upon all parties of record its responses to requests for information no later than 10/04/99

Last day for Columbia to publish notice of hearing date 10/05/99

Public Hearing is to begin at 9:00 a.m., Eastern Daylight Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky, for the purpose of cross-examination of witnesses 10/12/99

Written briefs shall be filed with the Commission and served upon all parties of record no later than 11/12/99

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

June 24, 1999

To: All parties of record

RE: Case No. 99-165

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

Honorable Stephen Seiple
Senior Attorney
Columbia Gas of Knetucky, Inc.
200 Civic Center Drive
P. O. Box 17
Columbus, OH 43216 0117

Honorable Anthony G. Martin
Attorney at Law
P. O. Box 1812
Lexington, KY 40593

Honorable Richard S. Taylor
Attorney at Law
Capital Link Consultants
315 High Street
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892 Georgetown Street
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Attorney at Law
Boehm, Kurtz & Lowry
3110 CBLD Center
36 East Seventh Street
Cincinnati, OH 45202

Richard S. Minch
Manager, Regulatory Services
Columbia Gas of Kentucky, Inc.
2001 Mercer Road
P. O. Box 14241
Lexington, KY 40512 4241

Mr. Edward W. Gardner
Lex-Fayette Urban County Government
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Counsel for LG&E Energy Corp.
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P.O. Box 32010
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Commonwealth Energy Services
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In House Counsel
Stand Energy Corporation
1077 Celestial Street
Suite #110
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FSG Energy Services
6797 North High Street
Suite 314
Worthington, OH 43085

Honorable Ann Louise Cheuvront
Assistant Attorney General
Civil & Environmental Division
Public Service Litigation Branch
1024 Capital Center Drive
Frankfort, KY 40602

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF COLUMBIA GAS OF KENTUCKY, INC. TO IMPLEMENT A SMALL VOLUME GAS TRANSPORTATION SERVICE, TO CONTINUE ITS GAS COST INCENTIVE MECHANISMS, AND TO CONTINUE ITS CUSTOMER ASSISTANCE PROGRAM	)	CASE NO. 99-165

<u>O R D E R</u>

This matter arising upon the motion of Stand Energy Corporation ("Stand Energy"), filed June 14, 1999, for full intervention, and it appearing to the Commission that Stand Energy has a special interest which is not otherwise adequately represented, and that such intervention is likely to present issues and develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings, and this Commission being otherwise sufficiently advised,

IT IS HEREBY ORDERED that:

1. The motion of Stand Energy to intervene is granted.

2. Stand Energy shall be entitled to the full rights of a party and shall be served with the Commission's Orders and with filed testimony, exhibits, pleadings, correspondence, and all other documents submitted by parties after the date of this Order.

3. Should Stand Energy file documents of any kind with the Commission in the course of these proceedings, it shall also serve a copy of said documents on all other parties of record.

Done at Frankfort, Kentucky, this 24th day of June, 1999.

By the Commission

ATTEST:

Executive Director

ANTHONY G. MARTIN
Attorney at Law
P. O. Box 1812
Lexington, KY 40588
(606) 268-1451 (Phone or Fax)
E-Mail agmlaw@aol.com

RECEIVED
JUN 22 1999
PUBLIC SERVICE COMMISSION

June 21, 1999

Ms. Helen Helton
Executive Director
KY Public Service Commission
P.O. Box 615
730 Schenkel Lane
Frankfort, KY 40602

Re: Case No. 99-165, Columbia Gas Tariffs

Dear Ms. Helton:

Attached are the original and eleven copies of the motion to intervene of the Community Action Council, Inc., in the above styled proceeding. Please note that this is a motion for full intervention.

Thank you.

Sincerely,

Anthony G. Martin

cc: Service List - Case No. 99-165 (Per June 9, 1999 PSC Order)

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
JUN 22 1999
PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF COLUMBIA GAS OF KENTUCKY, INC. TO IMPLEMENT A SMALL VOLUME GAS TRANSPORTATION SERVICE, TO CONTINUE ITS GAS COST INCENTIVE MECHANISMS, AND TO CONTINUE ITS CUSTOMER ASSISTANCE PROGRAM	)	CASE NO. 99-165

MOTION TO INTERVENE

Comes now the Community Action Council (CAC), by council, and moves to intervene as a full party in the above styled case.

CAC is a community action agency which provides social services, including energy assistance and related services, to numerous low income residents of Columbia Gas Company's service territory. As such, it is likely to present issues and provide a perspective which is not likely to be presented by the other parties to this proceeding, and its interests are not adequately represented by other parties to this proceeding. CAC's participation will not unduly delay these proceedings.

Both CAC and its attorney are already on the service list for this case, but CAC has not yet formally intervened. CAC was a member of the group which has met with Columbia Gas numerous times in the development of this proposal, and files this motion in order to formalize its participation as a full party in this application.

Wherefore, Community Action Council, Inc., moves to be made a full party intervenor in this case, with all rights pertaining thereto.

Respectfully submitted,

Anthony G. Martin
Counsel for CAC, Inc.

RECEIVED

JUN 1 8 1999

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF COLUMBIA GAS OF KENTUCKY, INC. TO IMPLEMENT A SMALL VOLUME GAS TRANSPORTATION SERVICE, TO CONTINUE ITS GAS COST INCENTIVE MECHANISMS, AND TO CONTINUE ITS CUSTOMER ASSISTANCE PROGRAM)))))))) Case No. 99-165

SUPPLEMENTAL RESPONSE OF COLUMBIA GAS OF KENTUCKY, INC. TO COMMISSION ORDER DATED MAY 28, 1999

On May 28, 1999, the Commission issued an Order establishing an Informal Conference to discuss two specific questions regarding Columbia Gas of Kentucky's application to implement a small volume gas transportation service. Specifically, the Conference was held to discuss the application's lack of a definition of a competitive marketplace and the question of the cost justification for the proposed transportation service. The conference was held on June 3, 1999 at which time Columbia filed a response for the record. During the Conference, Commission Staff focused primarily on the second item questioning whether there was a need for cost justification for the proposed transportation service. Therefore, Columbia's Supplemental Response will also focus primarily on this question.

To reiterate Columbia's initial response, the proposed program simply offers Columbia's residential and small commercial customers a gas supply alternative. Under the program Columbia will continue to provide all of the same services to customers who choose an alternate gas supplier as to those customers who choose to remain a sales customer of Columbia. The rate for delivery of natural gas to sales and small volume gas transportation service customers will be the same. That rate is the applicable base rate under Columbia's existing tariff. Columbia's base rates, and as a result its proposed transportation service rates, have both already been cost justified and approved by the Commission.

As stated in Columbia's initial response on June 3, 1999, the Commission's Order in Administrative Case No. 367 regarding natural gas unbundling contemplates such a case and notes that, "such customer choice programs are ongoing in a number of other states. In most of these programs, the local distribution companies continue to provide natural gas within their current pricing and operating parameters." Columbia and the American Gas Association (AGA) have both found this statement to be true. As was discussed in the Conference, none of the other four Columbia distribution companies with Customer Choice^{SM} programs were required to cost justify base rates as part of their filing. Furthermore, a conversation with an AGA representative revealed that AGA is not aware of any gas utility that was required to cost justify its base rates as part of a small volume gas transportation program unless a specific component of base rates, such as billing, was being unbundled or opened to competition.

During the Informal Conference, Commission Staff questioned Columbia whether there would be any changes to the responsibilities of the gas supply function resulting from the implementation of the proposed program. More specifically, as some customers may begin purchasing their gas supply from marketers rather than from Columbia, would Columbia's gas supply work decrease or increase to the point of adding an unfair cost burden on either sales customers or transportation customers? Columbia responded that the number of Full-Time Employees (FTE's) for the gas supply function would not change as a result of its proposed program and, as a result, would not add an unfair cost burden to any customers. Staff recommended that Columbia study the issue to reaffirm that this would be true. The response included herein is a result of further study of this issue.

Columbia's Gas Management Services Department (GMS) manages the purchase and delivery responsibilities for Columbia's sales customers as well as providing services to

Columbia's existing gas transportation customers. The activities of Columbia's GMS department include gas control, peak day demand forecasting, short-term operational planning, daily gas operations, supply procurement, contract management, nominations and scheduling, capacity release and off-system sales, invoice preparation and reconciliation, supply and capacity portfolio design, forecasting services, federal regulatory management, engineering support services, marketer compliance and electronic bulletin board maintenance. Currently, 5.72 full-time employees perform these activities for Columbia Gas of Kentucky. The number of FTE's does not round perfectly because individual GMS employees charge time to other Columbia local distribution companies.

The activities listed above represent services provided by GMS under the existing, pre-small volume transportation service environment where Columbia provides 100% of the merchant sales service to small customers. Under Columbia's proposed program all of the above listed services will continue to be provided. Many of the services will not change either in scope or type of service provided. Some of the above functions may experience a slightly reduced level of activity, but will not be eliminated. Other functions, however, may see an increased level of activity as the proposed program is implemented. These responsibilities would be absorbed into the workload of the 5.72 FTE's that currently perform all gas management services for Columbia Gas of Kentucky. The potential change in the amount of time spent on one responsibility versus another is small and will occur as customers switch from tariff sales to transportation. Columbia can find no basis on which to justify differing rates for delivery of gas under this program.

In conclusion, the total number of Full-Time Employees from Gas Management Services will not change as a result of Columbia implementing its proposed program. As the proposed program simply offers a gas cost alternative with Columbia maintaining all other services for transportation customers as for sales customers, this program does not create another class of customer. Therefore, delivery charges that have been cost justified and approved by the

Commission for sales customers remain cost justified for both sales and transportation customers under Columbia's proposed program. There is no need for additional cost justification of delivery charges.

The Commission's Order in Case No. 367 urged any utility applicant to seek input from stakeholders and to develop a program that would reach compromise consistent with both public and utility shareholder interests. Columbia developed its proposed program through lengthy and productive meetings with its stakeholders and presented the Commission with an application without any opposition. Columbia respectfully requests the Commission to move past Staff's question regarding cost justification of the proposed transportation rates which are Columbia's approved base rates, and focus on the merits of the small volume gas transportation program.

Dated this 18th day of June, 1999.

Respectfully submitted,

COLUMBIA GAS OF KENTUCKY, INC.

BY: Stephen B. Seiple /SAB

Stephen B. Seiple
Senior Attorney

Andrew J. Sonderman, General Counsel
Stephen B. Seiple, Senior Attorney
Amy L. Koncelik, Attorney
200 Civic Center Drive
P. O. Box 117
Columbus, Ohio 43216-0117
Telephone: (614) 460-4648

Richard S. Taylor
Capitol Link Consultants
315 High Street
Frankfort, Kentucky 40601
Telephone: (502) 223-8967

Attorneys for
COLUMBIA GAS OF KENTUCKY, INC.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing response was served upon those individuals listed in the Service List below by regular U. S. Mail this 18th day of June, 1999.

Stephen B. Seiple /SBS

Stephen B. Seiple
Attorney for
COLUMBIA GAS OF KENTUCKY, INC.

Hon. David F. Boehm
Boehm, Kurtz & Lowry
2110 CBLD Center
36 E. Seventh Street
Cincinnati, OH 45202

Mr. Edward W. Gardner
Lex-Fayette Urban Co. Government
200 East Main Street
Lexington, KY 40507

Commonwealth Energy Services
745 West Main – 5th Floor
Louisville, KY 40202

FSG Energy Services
6797 North High Street
Suite 314
Worthington, OH 43085

Hon. Douglas M. Brooks
Counsel for LG&E Energy Corp.
Louisville Gas and Electric Company
220 West Main Street
P. O. Box 32010
Louisville, KY 40232

Hon. Ann Louise Cheuvront
Assistant Attorney General
Civil & Environmental Division
Public Service Litigation Branch
P. O. Box 2000
Frankfort, KY 40602

Hon. Anthony G. Martin
P. O. Box 1812
Lexington, KY 40593

Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties
P. O. Box 11610
892 Georgetown Street
Lexington, KY 40576

John M. Dosker
In House Counsel
Stand Energy Corporation
1077 Celestial Street
Suite #110
Cincinnati, OH 45202

99-165

Faulkner

S Hen

SEC

STAND ENERGY CORPORATION

1077 Celestial Street • Rookwood Bldg. • Suite 110
Cincinnati, Ohio 45202
(513) 621-1113

June 10, 1999

RECEIVED
JUN 14 1999
PUBLIC SERVICE COMMISSION

Secretary
Kentucky Public Service Commission
P.O. Box 615
Frankfort, KY 40602

Re: In the Matter of the Tariff Filing of Columbia Gas of Kentucky, Inc. To Implement a Small Volume Gas Transportation Service, To Continue Its Gas Cost Incentive Mechanisms, And To Continue Its Customer Assistance Programs

Gentlemen:

Enclosed, please find an original and ten (10) copies of Stand Energy Corporation's Motion for Leave to Intervene in the above styled case. In addition, I have included one (1) extra copy of the motion. Please time and date stamp that copy and return it to me in the enclosed envelope.

Thank you in advance for your consideration.

Sincerely,

Jerry Borchert

Jerry Borchert

JB/kpsc610

Enclosures

COMMONWEALTH OF KENTUCKY

RECEIVED
JUN 14 1999
PUBLIC SERVICE COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of the Tariff Filing of Columbia	)	
Gas of Kentucky, Inc. to Implement A Small	)	
Volume Gas Transportation Service, To Continue	)	Case No. 99-165
Its Gas Cost Incentive Mechanisms, And To	)	
Continue Its Customer Assistance Programs	)	

MOTION FOR LEAVE TO INTERVENE (FULL INTERVENTION)

1. On April 22, 1999, Columbia Gas of Kentucky, Inc. ("Columbia") filed the above styled case with the Kentucky Public Service Commission ("KPSC")

2. On June 2, 1999, Louisville Gas & Electric filed a Motion to Intervene in this case.

3. Stand Energy Corporation ("SEC"), a Kentucky Corporation and participant in the natural gas deregulation collaborative promulgated by the KPSC in 1997, is engaged in the marketing of natural gas to numerous end use customers throughout the Midwest, including the Commonwealth of Kentucky.

4. SEC's principal place of business is: 1077 Celestial Street, Suite #110, Cincinnati, OH 45202.

5. SEC has participated in several other small volume transportation programs, most notably on the Columbia Gas of Ohio system. During the initial pilot program and subsequent statewide expansion of Columbia's Customer Choice® program, it became apparent that different potential suppliers had different operational concerns and different motivations for participation in the program.

6. Consequently, SEC avers that no other potential participant can adequately represent its interests in this case. Furthermore, as a marketer intending to actively participate

as a supplier in the small volume gas transportation program, SEC respectfully requests that the Commission grant it full Intervenor status pursuant to 807 KAR 5:001 §3(8).

7. As a participant in similar programs in other venues, SEC asserts that its experience may lead to the presentation of issues or to the development of facts that may assist the Commission. SEC further states that the granting of full intervention will not unduly complicate or disrupt the proceedings.

Respectfully Submitted,

John M. Dosker

John M. Dosker (KBA #82089)
In House Counsel
Stand Energy Corporation
1077 Celestial Street
Suite #110
Cincinnati, OH 45202
(513) 621-1113

NOTICE

The foregoing motion will be considered at the convenience of the Commission.

CERTIFICATE OF SERVICE

This is to certify that the foregoing was mailed first class postage prepaid, this 10th day of June, 1999, to each person on the following service list.

John M. Dosker

John M. Dosker

Stephen Seiple
Senior Attorney
Columbia Gas of Kentucky, Inc.
200 Civic Center Drive
P.O. Box 17
Columbus, OH 43216-0117

David F. Boehm
Attorney at Law
Boehm, Kurtz & Lowry
3110 CBLD Center
36 East Seventh Street
Cincinnati, OH 45202

Commonwealth Energy Services
745 West Main – 5th Floor
Louisville, KY 40202

Ann Louise Cheuvront
Asst. Attorney General
Civil & Environmental Div.
Public Service Litigation Branch
1024 Capital Center Drive
Frankfort, KY 40602

Community Action Council for
Lexington-Fayette, Bourbon, Harrison
& Nicholas Counties
P.O. Box 11610
892 Georgetown Street
Lexington, KY 40576

Richard S. Taylor
Attorney at Law
Capital Link Consultants
315 High Street
Frankfort, KY 40601

Edward W. Gardner
Lex-Fayette Urban County Government
200 East Main Street
Lexington, KY 40507

FSG Energy Services
6797 North High Street – Suite 314
Worthington, OH 43085

Anthony G. Martin
Attorney at Law
P.O. Box 1812
Lexington, KY 40593

Richard S. Minch
Manager, Regulatory Services
Columbia Gas of Kentucky, Inc.
2001 Mercer Road
P.O. Box 14241
Lexington, KY 40512-4241

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

June 9, 1999

To: All parties of record

RE: Case No. 99-165

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/sh
Enclosure

Honorable Stephen Seiple
Senior Attorney
Columbia Gas of Knetucky, Inc.
200 Civic Center Drive
P. O. Box 17
Columbus, OH 43216 0117

Honorable Anthony G. Martin
Attorney at Law
P. O. Box 1812
Lexington, KY 40593

Honorable Richard S. Taylor
Attorney at Law
Capital Link Consultants
315 High Street
Frankfort, KY 40601

Community Action Council for
Lexington-Fayette, Bourbon, Harrison
& Nicholas Counties
P. O. Box 11610
892 Georgetown Street
Lexington, KY 40576

Honorable David F. Boehm
Attorney at Law
Boehm, Kurtz & Lowry
3110 CBLD Center
36 East Seventh Street
Cincinnati, OH 45202

Richard S. Minch
Manager, Regulatory Services
Columbia Gas of Kentucky, Inc.
2001 Mercer Road
P. O. Box 14241
Lexington, KY 40512 4241

Mr. Edward W. Gardner
Lex-Fayette Urban County Government
200 East Main Street
Lexington, KY 40507

Honorable Douglas M. Brooks
Counsel for LG&E Energy Corp.
Louisville Gas and Electric Company
220 West Main Street
P.O. Box 32010
Louisville, KY 40232

Commonwealth Energy Services
745 West Main - 5th Floor
Louisville, KY 40202

FSG Energy Services
6797 North High Street
Suite 314
Worthington, OH 43085

Honorable Ann Louise Cheuvront
Assistant Attorney-General
Civil & Environmental Division
Public Service Litigation Branch
1024 Capital Center Drive
Frankfort, KY 40602

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF COLUMBIA GAS OF KENTUCKY, INC. TO IMPLEMENT A SMALL VOLUME GAS TRANSPORTATION SERVICE, TO CONTINUE ITS GAS COST INCENTIVE MECHANISMS, AND TO CONTINUE ITS CUSTOMER ASSISTANCE PROGRAM	)	CASE NO. 99-165

O R D E R

This matter arising upon the motion of LG&E Energy Corp. ("LG&E Energy"), filed June 2, 1999, for full intervention, and it appearing to the Commission that LG&E Energy has a special interest which is not otherwise adequately represented, and that such intervention is likely to present issues and develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings, and this Commission being otherwise sufficiently advised,

IT IS HEREBY ORDERED that:

1. The motion of LG&E Energy to intervene is granted.

2. LG&E Energy shall be entitled to the full rights of a party and shall be served with the Commission's Orders and with filed testimony, exhibits, pleadings, correspondence, and all other documents submitted by parties after the date of this Order.

3. Should LG&E Energy file documents of any kind with the Commission in the course of these proceedings, it shall also serve a copy of said documents on all other parties of record.

Done at Frankfort, Kentucky, this 9th day of June, 1999.

By the Commission

ATTEST:

Executive Director

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF COLUMBIA GAS OF KENTUCKY, INC. TO IMPLEMENT A SMALL VOLUME GAS TRANSPORTATION SERVICE, TO CONTINUE ITS GAS COST INCENTIVE MECHANISMS, AND TO CONTINUE ITS CUSTOMER ASSISTANCE PROGRAM) Case No. 99-165

RECEIVED

JUN 0 3 1999

PUBLIC SERVICE COMMISSION

RESPONSE OF COLUMBIA GAS OF KENTUCKY, INC. TO COMMISSION ORDER DATED MAY 28, 1999

On May 28, 1999, the Commission issued an Order that established the date and time for an informal conference to discuss certain issues regarding Columbia Gas of Kentucky's application to implement a small volume gas transportation service. Specifically, the Order asked Columbia to be prepared to respond to the questions of the application's lack of a definition of a competitive marketplace and the question of the cost justification for the proposed transportation service. Columbia hereby submits its initial response to those questions.

On July 1, 1998, the Commission issued its Order closing Administrative Case No. 367[1]. That Order stated that, "the Commission supports the concept of customer choice programs targeted at residential and small commercial customers." The Order proceeded to list several issues that must or should be addressed in any customer choice program, including: obligation to serve and supplier of last resort; non-discriminatory access to services offered; codes of conduct for marketers and affiliates of regulated utilities; the pricing of services; billing; certification of suppliers; transition costs; stranded costs; uncollectibles and disconnections; balancing requirements to maintain system integrity; and, access to pipeline and storage capacity. The Commission stated that the definition of what will be considered evidence of workable competition would be of the utmost importance in its ongoing review of whether a sufficient number of alternative and unaffiliated suppliers exists.

The Order also encouraged the applicant utility to seek input from its stakeholders and to develop a program that would reach compromise consistent with both public and utility shareholder interests. Furthermore, the Commission would consider this effort to reach a compromise to be crucial in its final decision regarding the utility's proposed program.

Columbia filed its application seeking authority to implement a small volume gas transportation service on April 22, 1999, after reaching a compromise through lengthy and productive discussions with its stakeholders. The application addressed each issue required by the Commission in its July 1, 1998 Order save one. Columbia specifically did not define a competitive marketplace because the application anticipates Columbia's gas cost adjustment will remain subject to the Commission's jurisdiction and oversight. Columbia's application does not request that Columbia be allowed to exit the merchant function. Under Columbia's proposed program, customers are not required to purchase their gas from a marketer. They may continue to purchase their gas from Columbia where their gas costs will be maintained as if the Customer Choice℠ program did not exist and Columbia's gas cost adjustment rates will continue to be overseen by the Commission. Because customers can remain with Columbia or return, without restriction, to Columbia after purchasing gas from a marketer, Columbia does not believe the definition of workable competition is an issue under its program.

---

[1] The Establishment of a Collaborative Forum to Discuss the Issues Related to Natural Gas Unbundling and the Introduction of Competition to the Residential Natural Gas Market.

With regard to the cost justification for the proposed transportation service, Columbia's proposed program is simply a gas cost alternative where the transportation customer's delivery charge is the same as the sales customer's delivery charge. Columbia will continue to provide all services to transportation customers that it currently provides traditional sales customers, other than the commodity itself. The rate is that which is currently set forth in Columbia's tariff for the applicable class of service, and was approved by the Commission in Case No. 94-179 by Order issued November 1, 1994. As the services provided to transportation customers are exactly the same as the services provided to sales customers, Columbia's base rates, and as a result the proposed transportation service rates, have already been cost justified and approved by the Commission. In fact, the Commission's Order in Case No. 367 contemplates as much and notes that, "[s]uch customer choice programs are ongoing in a number of other states. In most of these programs, the local distribution companies continue to provide natural gas within their current pricing and operating parameters."

Columbia hopes this response helps to address the questions raised in the Commission's May 28, 1999 Order and welcomes the opportunity to discuss further any questions regarding its small volume gas transportation service program at the Informal Conference.

Dated this 3rd day of June, 1999.

Respectfully submitted,

COLUMBIA GAS OF KENTUCKY, INC.

By: Stephen B. Seiple
Stephen B. Seiple
Senior Attorney

Andrew J. Sonderman, General Counsel
Stephen B. Seiple, Senior Attorney
Amy L. Koncelik, Attorney
200 Civic Center Drive
P.O. Box 117
Columbus, Ohio 43216-0117
Telephone: (614) 460-4648

Richard S. Taylor
Capitol Link Consultants
315 High Street
Frankfort, Kentucky 40601
Telephone: (502) 223-8967

Attorneys for
COLUMBIA GAS OF KENTUCKY, INC.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing response was served upon those individuals listed in the Service List below by regular U. S. Mail this 3rd day of June, 1999.

Stephen B. Seiple
Attorney for
COLUMBIA GAS OF KENTUCKY, INC.

Hon. David F. Boehm
Boehm, Kurtz & Lowry
2110 CBLD Center
36 E. Seventh Street
Cincinnati, OH 45202

Mr. Edward W. Gardner
Lex-Fayette Urban Co. Government
200 East Main Street
Lexington, KY 40507

Commonwealth Energy Services
745 West Main – 5th Floor
Louisville, KY 40202

FSG Energy Services
6797 North High Street
Suite 314
Worthington, OH 43085

Hon. Ann Louise Cheuvront
Assistant Attorney General
Civil & Environmental Division
Public Service Litigation Branch
P. O. Box 2000
Frankfort, KY 40602

Hon. Anthony G. Martin
P. O. Box 1812
Lexington, KY 40593

Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties
P. O. Box 11610
892 Georgetown Street
Lexington, KY 40576

Law Department

Louisville Gas and Electric Company
220 West Main Street
P.O. Box 32010
Louisville, Kentucky 40232
_502-627-3450_
502-627-3540 FAX

June 2, 1999

RECEIVED
JUN 02 1999
PUBLIC SERVICE COMMISSION

Helen Helton
Executive Director
Kentucky Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40602

**Re: The Tariff Filing of Columbia Gas of Kentucky, Inc.
Case No. 99-165**

Dear Ms. Helton:

You will find enclosed for filing in the above-referenced case an original and ten (10) copies of the Motion to Intervene of LG&E Energy Corp. Please file-stamp the extra copy enclosed and return to me in the enclosed self-addressed stamped envelope.

Thank you for your courtesies in this matter. Please contact the undersigned if you have any questions.

Sincerely yours,

Douglas M. Brooks

Douglas M. Brooks
Senior Counsel Specialist, Regulatory
(502) 627-2557

Enclosures

cc: Parties of record, Case No. 99-165

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
JUN 02 1999
PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF COLUMBIA GAS OF KENTUCKY, INC. TO IMPLEMENT A SMALL VOLUME GAS TRANSPORTATION SERVICE, TO CONTINUE ITS GAS COST INCENTIVE MECHANISMS, AND TO CONTINUE ITS CUSTOMER ASSISTANCE PROGRAM	)	Case No. 99-165

MOTION TO INTERVENE OF LG&E ENERGY CORP.

LG&E Energy Corp. hereby requests pursuant to 807 KAR 5:001, Section 3(8) that the Commission grant it full intervenor status in this proceeding, and in support of this motion states the following:

1. The name of address of the entity seeking full intervenor status is: LG&E Energy Corp., 220 W. Main St., P. O. Box 32010, Louisville, Kentucky 40232. Should the Commission grant this Motion, undersigned counsel requests that he be placed on the official service list for this proceeding on behalf of LG&E Energy Corp.

2. LG&E Energy Corp. is a publicly traded corporation that owns, among other entities, Louisville Gas and Electric Company (LG&E) and Kentucky Utilities Company (KU). LG&E is a public utility that provides retail electric and natural gas service under the regulation of this Commission. KU is a public utility that provides retail electric service under the regulation of this Commission. LG&E Energy Corp. also owns through its LG&E Power Inc. subsidiary LG&E Energy Marketing Inc. (LEM), which engages in the brokering of electricity in

the wholesale market on behalf of LG&E and KU. LEM and its affiliates have engaged in the marketing of natural gas on both the wholesale and retail levels..

3. LG&E Energy Corp. through its subsidiaries has a special interest in this proceeding that justifies its intervention. LG&E operates a retail natural gas system under terms, rates and conditions set by this Commission. Columbia's Application in this case is the first of its kind, as it proposes the first full customer choice plan for a natural gas LDC in Kentucky. This proceeding is expected to establish a precedent for future customer choice and unbundling plans for other LDCs in the state, and the ultimate decision made by the Commission in this proceeding will necessarily affect any unbundling plan that LG&E may present in the future. No other party to this proceeding can adequately represent LG&E's interests, and LG&E will be able to draw upon its experience and knowledge in the natural gas distribution industry to present issues and develop facts that will assist the Commission in fully considering the matter presented by Columbia's Application without unduly complicating or disrupting the proceedings.

KU is a retail customer of Columbia Gas of Kentucky, Inc. (Columbia), and as such will be directly affected by the outcome of this proceeding. In addition, KU through a former joint venture of its former affiliate KU Solutions has experience in brokering gas in its service territory. No other party to this proceeding can adequately represent KU's interests, and KU will be able to draw upon its experience and knowledge in the natural gas industry to present issues and develop facts that will assist the Commission in fully considering the matter presented by Columbia's Application without unduly complicating or disrupting the proceedings.

LEM by itself and through affiliates has engaged in natural gas marketing in the past, and may engage in such business again in the future. Through its business activities, LEM has developed a unique body of knowledge regarding retail gas competition that should be useful to the Commission and the parties to this proceeding. No other party to this proceeding can adequately represent LEM's interests, and LEM will be able to draw upon its experience and knowledge in the natural gas industry to present issues and develop facts that will assist the Commission in fully considering the matters presented by Columbia's Application without unduly complicating or disrupting the proceedings.

4. Granting LG&E Energy Corp.'s request for full intervenor status on behalf of its subsidiaries will simplify the proceeding and promote administrative efficiency. Only one additional intervenor would be added to the case instead of three, and the LG&E entities will speak through one representative and one voice.

5. LG&E Energy Corp. and its subsidiaries have not taken a position at this time regarding Columbia's Application.

WHEREFORE, LG&E Energy Corp. requests that the Commission grant it full intervenor status in this proceeding.

Respectfully submitted,

Douglas M. Brooks
Senior Counsel Specialist, Regulatory
Louisville Gas and Electric Company
220 West Main Street
P.O. Box 32010
Louisville, Kentucky 40232
(502) 627-2557
Counsel for LG&E Energy Corp.

CERTIFICATE OF SERVICE

This is to certify that a true copy of the foregoing instrument was mailed, first class delivery, on June 2, 1999 to those parties contained on the following service list:

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

Richard S. Taylor
Capital Link Consultants
315 High St.
Frankfort, KY 40601

Richard Minch
Manager, Regulatory Services
Columbia Gas of Kentucky, Inc.
2001 Mercer Road
P.O. Box 14241
Lexington, KY 40512-4241

Hon David F. Boehm
Boehm, Kurtz and Lowry
2110 CBLD Center
36 E. Seventh St.
Cincinnati, OH 45202

Hon. Edward W. Garner
Lexington-Fayette Urban County Government
200 East Main St.
Lexington, KY 40202

Commonwealth Energy Services
745 W. Main St. - 5^{th} Floor
Louisville, KY 40202

FSG Energy Services
6797 North High St.
Suite 314
Worthington, OH 43085

Hon. Ann Louise Cheuvront
Assistant Attorney General
Public Service Litigation Branch
P.O. Box 2000
Frankfort, KY 40602

Hon. Anthony Martin
P.O. Box 1812
Lexington, KY 40593

Community Action Council
P. O. Box 11610
892 Georgetown St.
Lexington, KY 40576

Douglas M. Brooks

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KENTUCKY 40602
www.psc.state.ky.us
(502) 564-3940
Fax (502) 564-3460

Paul E. Patton
Governor

Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Helen Helton
Executive Director
Public Service Commission

May 28, 1999

To: All Parties of Record

Re: Case No. 99-165

We enclose one attested copy of each of the Commission's Orders in the above case.

Sincerely,

Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosures

Honorable Stephen Seiple
Senior Attorney
Columbia Gas of Knetucky, Inc.
200 Civic Center Drive
P. O. Box 17
Columbus, OH 43216 0117

Honorable Anthony G. Martin
Attorney at Law
P. O. Box 1812
Lexington, KY 40593

Honorable Richard S. Taylor
Attorney at Law
Capital Link Consultants
315 High Street
Frankfort, KY 40601

Community Action Council for
Lexington-Fayette, Bourbon, Harrison
& Nicholas Counties
P. O. Box 11610
892 Georgetown Street
Lexington, KY 40576

Honorable David F. Boehm
Attorney at Law
Boehm, Kurtz & Lowry
3110 CBLD Center
36 East Seventh Street
Cincinnati, OH 45202

Richard S. Minch
Manager, Regulatory Services
Columbia Gas of Kentucky, Inc.
2001 Mercer Road
P. O. Box 14241
Lexington, KY 40512 4241

Mr. Edward W. Gardner
Lex-Fayette Urban County Government
200 East Main Street
Lexington, KY 40507

Commonwealth Energy Services
745 West Main - 5th Floor
Louisville, KY 40202

FSG Energy Services
6797 North High Street
Suite 314
Worthington, OH 43085

Honorable Ann Louise Cheuvront
Assistant Attorney General
Civil & Environmental Division
Public Service Litigation Branch
1024 Capital Center Drive
Frankfort, KY 40602

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF COLUMBIA GAS OF KENTUCKY, INC. TO IMPLEMENT A SMALL VOLUME GAS TRANSPORTATION SERVICE, TO CONTINUE ITS GAS COST INCENTIVE MECHANISMS, AND TO CONTINUE ITS CUSTOMER ASSISTANCE PROGRAM	))))))	CASE NO. 99-165

O R D E R

On April 22, 1999, Columbia Gas of Kentucky, Inc. ("Columbia") filed an application with the Commission to implement a small volume transportation service, and to continue its gas cost incentive mechanisms and customer assistance program.

The Commission finds that Columbia's application raises certain issues. For example, the application's lack of a definition of a competitive marketplace which was addressed in the Commission's final Order in Administrative Case No. 367,[1] and the question of the cost justification for the proposed transportation service, are two issues that should be thoroughly explored within the context of an informal conference. The Commission further finds that other issues raised in the application may also be subjects for discussion at an informal conference, but in a more general manner.

IT IS THEREFORE ORDERED that an informal conference shall be held on Thursday, June 3, 1999, at 10:00 a.m., Eastern Daylight Time, in Hearing Room 2 of the Commission's offices at 677 Comanche Trail, Frankfort, Kentucky. Columbia shall

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[1] Administrative Case No. 367, The Establishment of a Collaborative Forum to Discuss the Issues Related to Natural Gas Unbundling and the Introduction of Competition to the Residential Natural Gas Market.

ensure that the appropriate personnel are present to discuss generally the full scope of the application, and specifically the two issues identified earlier in this Order.

Done at Frankfort, Kentucky, this 28th day of May, 1999.

By the Commission

ATTEST:

Executive Director

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF COLUMBIA GAS OF KENTUCKY, INC. TO IMPLEMENT A SMALL VOLUME GAS TRANSPORTATION SERVICE, TO CONTINUE ITS GAS COST INCENTIVE MECHANISMS, AND TO CONTINUE ITS CUSTOMER ASSISTANCE PROGRAM	)	CASE NO. 99-165

ORDER

On April 22, 1999, Columbia Gas of Kentucky, Inc. ("Columbia") filed an application with the Commission to implement a small volume transportation service, and to continue its gas cost incentive mechanisms as well as its customer assistance program.

The Commission finds that, pursuant to KRS 278.190, further proceedings are necessary in order to determine the reasonableness of the proposals and that such proceedings may not be completed prior to the proposed effective date.

IT IS THEREFORE ORDERED that:

1. The proposed rates are hereby suspended for 5 months from November 1, 1999 up to and including March 31, 2000.

2. Nothing contained herein shall prevent the Commission from entering a final decision in this case prior to the termination of the suspension period.

Done at Frankfort, Kentucky, this 28th day of May, 1999.

By the Commission

ATTEST:

Executive Director

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KENTUCKY 40602
www.psc.state.ky.us
(502) 564-3940
Fax (502) 564-3460

Paul E. Patton
Governor

Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Helen Helton
Executive Director
Public Service Commission

April 22, 1999

To: All parties of record

RE: Case No. 99-165
COLUMBIA GAS OF KENTUCKY, INC.
(Tariffs) IMPLEMENT SMALL VOLUME GAS TRANSPORTATION, CONTINUE GAS COST INCENTIVE, AND CUSTOMER ASSISTANCE PROGRAM

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received April 22, 1999 and has been assigned Case No. 99-165. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

Stephanie J. Bell

Stephanie Bell
Secretary of the Commission

SB/jc

Honorable Stephen Seiple
Senior Attorney
Columbia Gas of Knetucky, Inc.
200 Civic Center Drive
P. O. Box 17
Columbus, OH. 43216 0117

Honorable Anthony G. Martin
Attorney at Law
P. O. Box 1812
Lexington, KY. 40593

Honorable Richard S. Taylor
Attorney at Law
Capital Link Consultants
315 High Street
Frankfort, KY. 40601

Community Action Council for
Lexington-Fayette, Bourbon, Harrison
& Nicholas Counties
P. O. Box 11610
892 Georgetown Street
Lexington, KY. 40576

Honorable David F. Boehm
Attorney at Law
Boehm, Kurtz & Lowry
3110 CBLD Center
36 East Seventh Street
Cincinnati, OH. 45202

Richard S. Minch
Manager, Regulatory Services
Columbia Gas of Kentucky, Inc.
2001 Mercer Road
P. O. Box 14241
Lexington, KY. 40512 4241

Mr. Edward W. Gardner
Lex-Fayette Urban County Government
200 East Main Street
Lexington, KY. 40507

Commonwealth Energy Services
745 West Main - 5th Floor
Louisville, KY. 40202

FSG Energy Services
6797 North High Street
Suite 314
Worthington, OH. 43085

Honorable Ann Louise Cheuvront
Assistant Attorney General
Civil & Environmental Division
Public Service Litigation Branch
P. O. Box 2000
Frankfort, KY. 40602

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Columbia Gas® of Kentucky

THE TARIFF FILING OF COLUMBIA GAS OF KENTUCKY, INC. TO IMPLEMENT A SMALL VOLUME GAS TRANSPORTATION SERVICE, TO CONTINUE ITS GAS COST INCENTIVE MECHANISMS, AND TO CONTINUE ITS CUSTOMER ASSISTANCE PROGRAM.	))))))))	Case No. 99-165

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
APR 22 1999
PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
THE TARIFF FILING OF COLUMBIA GAS OF KENTUCKY, INC. TO IMPLEMENT A SMALL VOLUME GAS TRANSPORTATION SERVICE, TO CONTINUE ITS GAS COST INCENTIVE MECHANISMS, AND TO CONTINUE ITS CUSTOMER ASSISTANCE PROGRAM.	)	Case No. 99-165

APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC.

The petition of Columbia Gas of Kentucky, Inc. ("Columbia") respectfully states:

(a) That applicant is engaged in the business of furnishing natural gas service to the public in certain counties in the Commonwealth of Kentucky, pursuant to authority granted by the Commission.

(b) That Columbia's full name and post office address are:

Columbia Gas of Kentucky, Inc.
2001 Mercer Road
P.O. Box 14241
Lexington, KY 40512-4241

(c) That Columbia's Articles of Incorporation have previously been filed with the Commission in Case No. 3470 and are incorporated herein by reference.

(d) That by this Application Columbia does not seek to adjust its base rates. This Application deals only with revisions to Columbia's Gas Cost Adjustment Clause, and certain transportation terms.

(e) That Columbia seeks authorization to amend its tariffs in order to begin to offer a new optional small volume gas transportation service, for the reasons described below.

Development of the Columbia Gas of Kentucky, Inc. Program

Columbia's large volume customers have been allowed to choose their natural gas commodity suppliers for almost twenty years. Those large volume customers have seen their commodity cost of gas decrease with this opportunity and Columbia believes that all of its customers, including small volume customers, should enjoy this same opportunity to save money. In addition, as Columbia has witnessed the success of residential and commercial gas transportation programs in other Columbia-served jurisdictions, and has had the opportunity to learn which features of these programs have worked and which features have not, Columbia believes that it is now time to implement a program for its small volume customers that incorporates the best features of those programs, tailored to meet their needs.

By this Application, Columbia seeks authority to implement a small volume gas transportation program[1]. Columbia has identified several goals that it believes are critical to the success of its proposed small volume gas transportation program. The goals are as follows:

- The program must provide an opportunity for customers to save money on their gas bills;
- The program should provide marketers with as much flexibility as is possible to provide customers savings by allowing them to serve customers using their own interstate pipeline capacity;

[1] Columbia may implement and publicly refer to its small volume transportation program as Customer CHOICE℠ and/or CHOICE®. Customer CHOICE℠ is a service mark of Columbia Gas of Ohio, Inc. and its use has been licensed by Columbia Gas of Kentucky, Inc. CHOICE® is a registered service mark of Columbia Gas of Ohio, Inc. and its use has also been licensed by Columbia Gas of Kentucky, Inc.

- The program should be revenue neutral for Columbia, and must allow Columbia to recover its stranded costs and incremental program expenses;
- The recovery of stranded costs must be as transparent to the customer as possible to permit the customer to make a clear and understandable choice between the marketer's offer and Columbia's sales rate;
- Customers who choose to continue to purchase their gas supply using Columbia's traditional sales service should not incur any additional charges because of the implementation of a small volume gas transportation program; and,
- Customer education is critical to the success of the program and customers must have an opportunity to learn about the program for a period of time before they begin to receive offers from marketers.

As demonstrated in the tariffs and Program Description that are attached to this Application, Columbia has addressed each of the goals listed above in its program design. In order to address these goals and shape a program that meets the needs of Kentucky customers, Columbia held numerous discussions with parties that had previously intervened in Columbia's cases before the Kentucky Public Service Commission ("Commission"). These groups represent residential and commercial customer interests within Columbia's service territory. The parties include the Office of Attorney General of the Commonwealth of Kentucky, the Lexington-Fayette Urban County Government, and the Community Action Council for Fayette, Bourbon, Harrison and Nicholas Counties ("CAC"). In addition, Columbia solicited and received valuable input on the development of the filing from FSG Energy Services, a marketing subsidiary of Wisconsin Public Service Resources Corporation. Representatives of the parties met as a collaborative group ("Collaborative") and provided input that was critical to the development of the program outlined in this Application. While each Collaborative member may not agree with every detail of the small volume gas transportation program proposed herein, each member except the Attorney General supports this program taken as a whole. It should be noted that the Attorney General's office does not take a position on this Application.

Columbia's Proposed Small Volume Gas Transportation Program

This Application generally describes Columbia's proposed small volume gas transportation program. The full details of the program are contained in Columbia's Financial Model attached hereto as Attachment A, Columbia's Program Description attached hereto as Attachment B, and Columbia's proposed tariffs attached hereto as Attachment C.

Columbia's proposed small volume gas transportation program will allow customers with annual usage below 25,000 Mcf to transport their volumes on Columbia's distribution system and choose an alternative supplier for the actual supply of the gas commodity. The tariffs that are attached hereto as Attachment C more fully describe the customer eligibility requirements for participation in the program, as well as the terms and conditions of service that will apply to customers who voluntarily choose to participate in the program.

Customer participation in the small volume gas transportation program is entirely voluntary. Expected gas costs for those customers choosing to continue purchasing gas from Columbia will remain at the same level as if the small volume gas transportation program did not exist. This program simply presents an opportunity for small volume customers to choose an alternate commodity supplier and possibly save money on their gas costs. In addition, all levels of distribution services provided customers today will still be provided to Columbia's small volume gas transportation service customers as well as Columbia's sales customers. Columbia will continue to remain the supplier of last resort for customers electing transportation under Rate Schedule SVGTS, as well as for traditional sales service customers.

This program is designed to be effective beginning November 1, 1999, and is to continue through October 31, 2004. After October 31, 2004, changes to the program may be required for a number of reasons. First, it is contemplated that parts of the program design may need to be revised as Columbia and its customers learn more about small volume gas transportation service. Second, the majority of Columbia's long term capacity contracts expire in 2004. Therefore, before expiration of those contracts, Columbia will formulate its position regarding supplier of last resort and merchant function issues. After decisions regarding those broad issues are made, and upon expiration of the long term capacity contracts, changes in the small volume gas transportation program outlined in this Application may very well be required.

The Financial Model attached hereto as Attachment A sets forth all of Columbia's assumptions, and the related projections of the stranded costs associated with implementation of the proposed program, as well as revenues that can be used to off-set those costs. A fund shall be established as an interest-bearing account termed the Stranded Cost/Recovery Pool to which all stranded costs and revenues as defined herein shall be held through October 2004. It is expected that initially, revenue opportunities will exceed stranded costs. Interest earned on revenue opportunities in excess of stranded costs will be credited to the Stranded Cost/Recovery Pool and also go towards the offset of stranded costs.

The Financial Model reflects an end result in which there is a perfect match between total stranded costs and total off-setting revenue opportunities. This is the goal of the program. However, such an exact match is unlikely. To the extent that the difference between stranded costs and revenue opportunities is $3,000,000 or less at October 31, 2004, Columbia will either absorb the loss or be entitled to retain the gain.

At the end of the program, Columbia will compare the total stranded costs incurred with the total revenues generated to off-set stranded costs, as those costs and revenues are defined in the Financial Model. Should the revenues used to off-set stranded costs exceed stranded costs by more than $3,000,000, Columbia will retain the first $3,000,000 of said "excess" revenues, and refund the revenues in excess of $3,000,000 through the Gas Cost Adjustment mechanism. Should stranded costs exceed the revenues used to off-set stranded costs by more than $3,000,000, Columbia will absorb the first $3,000,000 of the "shortfall." With respect to that part of the shortfall that is in excess of $3,000,000, the Collaborative shall devise an additional funding mechanism that will enable Columbia to recover said shortfall, and recommend that the Commission approve said mechanism.

One of the revenue sources that will be used to off-set stranded costs are revenues generated by Columbia's gas cost incentive mechanisms, which mechanisms were approved by the Commission in Case No. 96-079, by Order dated July 27, 1998. The July 27, 1998 Order in Case No. 96-079 required Columbia to file a petition, by no later than July 1, 1999, "to continue or discontinue these programs effective August 1, 1999. Any petition for continuance shall be accompanied by a more comprehensive gas cost incentive program…." This Application, seeking approval of the small volume gas transportation program, is Columbia's proposal for a "more comprehensive gas incentive program" as envisioned by the Commission's Order. By this Application, Columbia is requesting that the Commission authorize the continuation, as described hereinafter, of Columbia's existing gas cost incentive mechanisms through October 31, 2004. Columbia requests that its gas cost incentive program be continued in its current form from August 1, 1999 until the effective date of its small volume gas transportation program proposed herein. Columbia requests that its gas cost incentive program be modified in the following manner upon implementation of the small volume gas transportation program. Columbia proposes that 65% of the off-system sales revenue each calendar year[2] be credited to the Stranded Cost/Recovery Pool. The remaining 35% of off-system sales revenue shall be credited to Columbia.

Similarly, Columbia proposes that its gas cost incentive program be modified so that any capacity release revenue that is not retained by Columbia be credited to the Stranded Cost/Recovery Pool. Columbia further proposes to reestablish the capacity release benchmark (using the formula specified in the Commission's July 27, 1998 Order in Case No. 96-079) at the time small volume customers begin transporting gas under the program proposed herein. Once so reestablished, Columbia requests that the capacity release benchmark remain fixed through October 31, 2004. The tariff pages included in Attachment E hereto implement a continuation of the gas cost incentive rate mechanisms through October 31, 2004, with the modifications proposed herein.

As shown in Columbia's Financial Model, another one of the revenue sources that will be used to off-set stranded costs that may result from this program are revenues from expiring contracts. To capture this revenue for the purpose of off-setting stranded costs Columbia requests authority to maintain through October 31, 2004, the demand billing determinants in its Expected Gas Cost as of April 1, 1999. This will ensure that the Expected Gas Cost charged to sales

[2] For periods that do not contain a full calendar year, 65% of the pro-rata share of that year's off-system sales revenue shall be credited to the Stranded Cost/Recovery Pool. For example, since the program is scheduled to expire October 31, 2004, in 2004 Columbia will credit 54.17% of the off-system sales revenue to the Stranded Cost/Recovery Pool (65% x 10/12 = 54.17%).

customers is indifferent to the introduction and implementation of the small volume gas transportation program.

Customer participation and stranded costs in this program are directly correlated. Columbia believes that marketers should be entitled to purchase pipeline and storage capacity of their own choosing rather than being required to take assignment of its capacity, thus allowing marketers greater flexibility to generate savings for customers. However to manage the risk of the uncertainty of participation, capacity assignment may be required under certain conditions to reduce the financial exposure to customers at the end of the program. To this end, should customer participation exceed the expectations set forth in the Financial Model, Columbia shall have the right to require marketers to take assignment of its capacity.[3]

The Program Description attached hereto as Attachment B provides additional detail regarding implementation and administration of the small volume gas transportation program, including education initiatives that will be undertaken, a code and standards of conduct that will be enforced, and marketer eligibility requirements that will be instituted.

The tariffs proposed to implement the new small volume gas transportation program are included as Attachment C hereto.

Attachment D hereto contains supporting documentation for certain elements of Columbia's program, including cost documentation for stranded costs, fees, charges, and cost recovery elements that are contained in Columbia's tariffs.

Attachment F hereto contains the form Aggregation Agreement that Columbia will require marketers to sign in order to participate in the small volume gas transportation program.

Customer Assistance Program ("CAP")

As part of this filing, Columbia is also proposing the continuation of the CAP program, originally approved in Columbia's last rate case, Case No. 94-179. In compliance with the Commission's October 9, 1998 Order in Case No. 94-179, Columbia is filing as Attachment G hereto the independent evaluator's report, analysis and evaluation of the CAP program. After carefully reviewing the CAP program's impact on Columbia's customers, particularly those that the program is intended to assist, the Collaborative[4] has agreed that the Customer Assistance Program should continue. Columbia requests that the Commission approve a continuation of the CAP program as described below and in Attachment G.

The program will continue to be administered by the CAC, regardless of the location of the CAP participant. The CAP program will operate using a $175,000 annual contribution from Columbia shareholders, and the continuation of the current 1.5 cent per Mcf charge on all residential, non-CAP throughput. These revenues will be used to serve the pool of approximately 450 low-income customers already enrolled in the program, plus additional customers added within the budgetary constraints just described. Improvements to the CAP program, gleaned from the three-year pilot, will also be implemented in order to decrease administrative costs and serve more customers under the approximate annual budget of $350,000.

The Collaborative believes that the duration of the CAP program should coincide with the duration of Columbia's small volume gas transportation program. Therefore, the CAP program should continue in its proposed form through the October 31, 2004. To further decrease the costs to serve CAP customers, the CAC will aggregate the CAP participants and take bids

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[3] Periods during which Columbia is not requiring marketers to take assignment of capacity shall be referred to as Phase I of the program. Periods during which Columbia is requiring marketers to take assignment of capacity shall be referred to as Phase II of the program.

[4] Excepting the Attorney General's office which does not take a position on this Application.

from certified marketers to serve these customers under the small volume gas transportation program, thereby ensuring that CAP participants benefit from the savings afforded by Columbia's proposed small volume gas transportation program. In addition, annual reports measuring pre-determined benchmarks will be produced by the Collaborative and presented to the Commission by March 1 of each year. In May 2004, the Collaborative will evaluate the merits of continuing the program and subsequently report its findings and recommendations to the Commission.

Annual Report to be Filed with the Commission

In addition to the CAP report to be filed each year, Columbia will annually file a small volume gas transportation program report with the Commission. The annual report will be filed by March 1 of each year, and will include the following information:

- The number of residential customers participating in the program;
- The number of commercial customers participating in the program;
- The number of customers enrolled by each marketer;
- The number of customers enrolled by telephone, over the Internet, and by written application;
- The total volumes being purchased from marketers by participating customers;
- The percentage of total customer participation in the program, by volume;
- The number of marketers certified to participate in the program;
- The types of communication and education activities undertaken by Columbia, as well as the cost of such activities;
- The amount of stranded costs incurred under the program to date;

- The amount of revenue, to date, realized from opportunities developed to off-set stranded costs under the program; and,
- Any other information requested by the Commission.

<u>Specific Public Service Commission Approval Requested</u>

Columbia respectfully requests Commission authority to implement its small volume gas transportation service, and specifically requests approval of this Application in its entirety, including the following:

- The Financial Model attached hereto as Attachment A;
- Columbia's subsequent recovery of any program shortfall in stranded costs that exceeds $3,000,000;
- Columbia's request to maintain through October 31, 2004, the demand billing determinants in its Expected Gas Cost as of April 1, 1999;
- The proposed tariff pages attached hereto as Attachment C, which implement the small volume gas transportation program, as described herein. Pursuant to 807 KAR 5:011, Columbia requests approval of these tariff pages, to be effective November 1, 1999 through October 31, 2004. As described herein, Columbia proposes to use a portion of the revenues generated by the gas cost incentive rate mechanisms for partial funding of the Stranded Cost/Recovery Pool that will result from the small volume gas transportation program;
- The proposed tariff pages attached hereto as Attachment E, which will continue Columbia's gas cost incentive mechanisms through the effective date of the small volume gas transportation program. Pursuant to 807 KAR 5:011, Columbia proposes to make the tariffs contained in Attachment E effective on August 1, 1999; and,

- The proposed continuation of the CAP program, as outlined in this Application and Attachment G hereto.

WHEREFORE, Columbia asks the Public Service Commission of the Commonwealth of Kentucky to issue an order approving this Application and the proposed tariff sheets attached hereto as Attachments C and E, and further requests the Commission to authorize Columbia to implement the small volume gas transportation program described herein.

Dated this 22nd day of April, 1999.

Respectfully submitted,

COLUMBIA GAS OF KENTUCKY, INC.

By: Stephen B. Seiple

Stephen B. Seiple
Senior Attorney

Andrew J. Sonderman, General Counsel
Stephen B. Seiple, Senior Attorney
Stanley J. Sagun, Attorney
Amy L. Koncelik, Attorney
200 Civic Center Drive
P.O. Box 117
Columbus, Ohio 43216-0117
Telephone: (614) 460-4648
Fax: (614) 460-6986
Email: sseiple@ceg.com

Richard S. Taylor
Capital Link Consultants
315 High St.
Frankfort, Kentucky 40601
Telephone: (502) 223-8967
Fax: (502): 226-6383

Attorneys for
COLUMBIA GAS OF KENTUCKY, INC.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application was served upon those individuals listed in the Service List below by regular U.S. mail this 22nd day of April, 1999.

Stephen B. Seiple
Attorney for
COLUMBIA GAS OF KENTUCKY, INC.

SERVICE LIST

Hon. David F. Boehm
Boehm, Kurtz & Lowry
2110 CBLD Center
36 E.Seventh Street
Cincinnati, OH 45202

Hon. Ann Louise Cheuvront
Assistant Attorney General
Civil & Environmental Division
Public Service Litigation Branch
P.O. Box 2000
Frankfort, KY 40602

Mr. Edward W. Gardner
Lex-Fayette Urban Co. Government
200 East Main Street
Lexington, KY 40507

Hon. Anthony G. Martin
P.O. Box 1812
Lexington, KY 40593

Commonwealth Energy Services
745 West Main – 5th Floor
Louisville, KY 40202

Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties
P. O. Box 11610
892 Georgetown Street
Lexington, KY 40576

FSG Energy Services
6797 North High Street
Suite 314
Worthington, OH 43085

A - Financial Model

ATTACHMENT A

FINANCIAL MODEL

FINANCIAL MODEL
COLUMBIA GAS OF KENTUCKY - CHOICE PROGRAM
($000)

	Nov./Dec. 1999	2000	2001	2002	2003	2004 Thru October	Nov-99 Thru Oct. 2004
1 Total Choice Volumes (Mmcf/yr)	379	2,862	4,207	4,629	5,453	5,152	22,682
2 Total Sales Volumes (Mmcf/yr)	17,595	15,263	13,920	13,611	12,907	9,233	
3 GCR - Demand without CHOICE ($/mcf)	$ 1.3087	$ 1.4163	$ 1.4376	$ 1.4602	$ 1.4840	$ 1.5603	
3a GCR - Demand with CHOICE ($/mcf)	$ 1.3087	$ 1.3424	$ 1.3265	$ 1.3443	$ 1.3664	$ 1.4329	
STRANDED COSTS							
4a GCR - Demand	$ 495	$ 3,842	$ 5,580	$ 6,223	$ 7,451	$ 7,382	$ 30,973
4b Information Technology	150						150
4c Education	250	50	20	20	50	70	460
4d Lost Standby Revenues		85	85	85	85	71	411
TOTAL STRANDED COSTS	**$ 895**	**$ 3,977**	**$ 5,685**	**$ 6,328**	**$ 7,586**	**$ 7,523**	**$ 31,994**
REVENUE OPPORTUNITIES							
5a Capacity Assignment	$ -	$ 184	$ 274	$ 614	$ 736	$ 1,087	$ 2,895
5b Balancing Charges	$ 132	$ 901	$ 1,325	$ 1,296	$ 1,527	$ 1,262	$ 6,443
5c Expiring Contracts	$ -	$ 1,128	$ 1,546	$ 1,578	$ 1,518	$ 1,176	$ 6,946
5d Off-System Sales	$ 507	$ 2,616	$ 2,385	$ 2,318	$ 2,184	$ 1,662	$ 11,672
5e Capacity Release	$ 69	$ 441	$ 580	$ 574	$ 667	$ 573	$ 2,904
5f Marketer Contribution	$ 19	$ 143	$ 210	$ 231	$ 273	$ 258	$ 1,134
TOTAL REVENUE OPPORTUNITIES	**$ 727**	**$ 5,413**	**$ 6,320**	**$ 6,611**	**$ 6,905**	**$ 6,018**	**$ 31,994**
NET STRANDED COSTS	**$ 168**	**$ (1,436)**	**$ (635)**	**$ (283)**	**$ 681**	**$ 1,505**	**$ 0**
Participation Levels	2%	16%	23%	25%	30%	36%	
Marketer Election of Capacity	0%	10%	10%	20%	20%	30%	

Balancing Charge $0.35/mcf
Marketer Contribution $0.05/mcf

*5d subject to 65/35 incentive. Total Off-system sales are as follows:	$ 780	$ 4,024	$ 3,670	$ 3,566	$ 3,360	$ 2,556	$ 17,956
*5e subject to 65/35 incentive with benchmark. Total Capacity Release:	$ 106	$ 679	$ 892	$ 883	$ 1,027	$ 882	$ 4,470

FINANCIAL MODEL FOR CUSTOMER PARTICIPATION

Overview

The Financial Model sets forth Columbia's projections of customer participation, the resulting stranded costs and potential revenue opportunities. The terms used in the model are defined as follows:

Line 1 – Total Choice Volumes – In Mmcf, the quantity of natural gas delivered to small volume transportation customers. Refer to the participation level percentages at the bottom of the model.

Line 2 – Total Sales Volumes – In Mmcf, the quantity of natural gas purchased by Columbia and delivered to tariff sales customers.

Lines 3 and 3a are defined under Revenue Opportunities.

Stranded Costs

Stranded costs are costs incurred by Columbia that would not arise except for creation of this program. The majority of stranded costs are created when customers for whom Columbia has entered into contracts necessary for firm delivery of natural gas choose to switch to another supplier. The contracts for natural gas supply, interstate pipeline capacity and storage capacity to serve that customer are no longer needed yet Columbia maintains its contractual obligation. Additional stranded costs are created by implementation expenses and removal of other tariff provisions to accommodate a customer's opportunity to select an alternative supplier. Natural gas supply contracts are short term in nature and therefore any associated stranded costs have not been included in the Financial Model. Stranded costs identified are labeled in the Financial Model as lines 4a through 4d and are defined as follows:

Line 4a - GCR Demand – Demand charges associated with sales volumes converting to transportation. The amount is directly proportional to increases in program participation. The demand charges are for pipeline capacity and storage capacity.

Line 4b - Information Technology - Estimated incremental expenses for computer programming enhancements to facilitate the small volume gas transportation program.

Line 4c - Education – Amounts budgeted for customer education as described more fully in the Program Description.

Line 4d – Lost Standby Revenues – Amount of revenue lost due to customers exiting Rate Schedule DS. Commercial customers using between 6,000 and 25,000 Mcf per year will be able to avoid standby charges for transportation if they elect to participate in this program rather than remain on their current transportation rate schedule. Columbia has estimated the number of customers who will choose this option and the resulting lost standby charges.

Revenue Opportunities

Revenue Opportunities are mechanisms which provide Columbia an opportunity to recover its stranded costs. The opportunities presented do not constitute a guaranteed recovery of stranded cost. Columbia must perform to take advantage of the opportunities that offer the greatest potential for revenues. Revenue opportunities are labeled in the Financial Model as lines 5a through 5f and are defined as follows:

Line 5a - Capacity Assignment – Amount of revenue received for Columbia's capacity that Marketers will choose to take and use.

Line 5b - Balancing Charges – Revenue received from balancing charge to Marketers of 35 cents per Mcf for all transportation volumes except those for which Marketer takes Columbia storage capacity assignment. Balancing is a service Columbia must continue to provide to meet the difference in volumes between what a Marketer brings to the Columbia system on a particular day vs. what the customer consumed. The differences occur because no weather forecast is 100% accurate and wind, sun and customer habits cause variations in customer use.

Line 3 – GCR Demand without CHOICE – Projection of demand charges that would be included in Columbia's quarterly gas cost recovery. This is what the GCR Demand would be in the Expected Gas Cost absent this program. The demand billing determinants in the Expected Gas Cost component of Columbia's GCR will be maintained at April 1, 1999 levels as though this program were not in effect. However, the choice of an alternative supplier by some customers makes available the revenue opportunities on Line 5c.

Line 3a – GCR Demand with CHOICE – The charges Columbia incurs for pipeline capacity and storage with this program in place.

Line 5c - Expiring Contracts – Value of contracts naturally expiring prior to 2004 but retained in demand charges (Line 3). In the absence of this program, the contracts would be needed and retained. The revenue opportunity is equal to the difference between line 3 and line 3a times sales volumes on line 2.

Line 5d - Off-System Sales – 65% of revenue from sales of commodity and capacity bundled and sold to non-Columbia customers using assets during non-peak conditions. The remaining 35% is retained by Columbia.

Line 5e - Capacity Release – Revenue from Columbia's release of capacity to the secondary market using assets during non-peak conditions. A benchmark shall be established at the effective date of the small volume gas transportation service program using the formula specified in the Commission's July 27, 1998 Order in Case No. 96-079.

The revenues credited to the Stranded Cost/Recovery Pool shall be 100% of revenues up to the benchmark, and 65% of revenues above the level at which said benchmark is 65% of the total capacity release revenues. The remaining revenues are retained by Columbia.

Net Stranded Costs

An account shall be established to track all of the stranded costs and revenues from the opportunities as defined herein through October 31, 2004. It is expected that initially revenue opportunities will exceed stranded costs. Interest will be calculated on the Net Stranded Costs at a rate equal to the average of the three month commercial paper rate for the immediately preceding twelve month period and assigned to the Stranded Cost/Recovery Pool. Any revenue received from penalties assessed Marketers as part of the program will also be assigned to the Stranded Cost/Recovery Pool other than penalties imposed upon the Marketer as a prorata share of pipeline penalties or other costs Columbia itself incurs.

ATTACHMENT B

PROGRAM DESCRIPTION

SMALL VOLUME GAS TRANSPORTATION SERVICE
PROGRAM DESCRIPTION

The Program Description provides additional detail to implement the provisions of Columbia's tariff for Small Volume Gas Transportation Service, Rate Schedule SVGTS. Columbia may implement and publicly refer to its small volume transportation program as Customer CHOICE^{SM}[1] and/or CHOICE$^{®}$[2].

CUSTOMER EDUCATION

Customer education is vital to the success of the program. To that end, after the proposed tariffs have been approved by the PSC there will be a sixty (60) day moratorium on Marketer solicitation while comprehensive customer education takes place. The moratorium will be solely for customer education conducted by Columbia as well as the PSC and the Attorney General, LFUCG and CAC if they choose to participate. The education plan and materials will be developed prior to the start of the moratorium so as to be available at the outset.

The following outlines a framework, all or parts of which may be used by Columbia in its customer education and outreach efforts, both during the moratorium period and throughout the first year of the program. The budget for customer education is included in Columbia's financial model.

Development and Implementation of Public Relations Plan (Approximately 40% of costs)

- Possible use of public relations consultant to assist in the design of activities and materials prior to moratorium. Materials written at 8th grade reading level
- Employee training program development
- Focus groups to determine optimal presentation of Choice information to various customer groups including low-income and elderly
- Presentations to community and civic groups
- Presentations to city councils
- Use of radio and television public service programs and other similar media
- Outreach to community leaders
- Development of slide show and script
- Preparation of news releases
- Preparation of information for Columbia web site
- Use of customer surveys to measure success of customer education and outreach efforts

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[1] Customer CHOICE^{SM} is a service mark of Columbia Gas of Ohio, Inc. and its use has been licensed by Columbia Gas of Kentucky, Inc.
[2] CHOICE$^{®}$ is a registered service mark of Columbia Gas of Ohio, Inc. and its use has also been licensed by Columbia Gas of Kentucky, Inc.

Advertising (Approximately 35% of costs)

- Radio advertisements
- Newspaper advertisements
- Outdoor board advertisements
- Bus advertisements

Printing and Mailing (Approximately 25% of costs)

- Use of Columbia's Gaslines in bills
- Use of bill inserts
- Preparation of question and answer fact sheet
- Preparation of information brochures
- Preparation of comparison chart for customers to evaluate offers (sample attached at end of Program Description)

CUSTOMER ELIGIBILTY

All Columbia customers using less than 25,000 Mcf per year are eligible to participate. Participants in Columbia's Customer Assistance Program ("CAP") shall relinquish their individual right to choose an alternative supplier as a condition of participating in the CAP. The CAP administrator will be authorized to aggregate all CAP customers.

MARKETER ELIGIBILITY

Marketers desiring to participate in the program shall be certified by Columbia upon review and a demonstration of the Marketer's acceptance and agreement to abide by the following terms and conditions:

1. Satisfactory completion of a determination of credit worthiness by Columbia;

2. Agreement to participate in Columbia's Small Volume Aggregation Service, as set forth in Columbia's tariff, by signing an Aggregation Agreement with Columbia;

3. The Marketer must have a minimum of 100 customers, or a customer or group of customers with a minimum annual throughput of 10,000 Mcf, to participate in the choice program;

4. The Marketer must agree to provide firm services to its customers as set forth in Columbia's tariff. Reliability is a major emphasis of the program. If requested by Columbia a Marketer must demonstrate that it has the capability to reliably serve program customer requirements;

5. The Marketer must agree to abide by the Code of Conduct as set forth in Columbia's tariff; Columbia will also agree to Standards of Conduct as set forth in its tariff;

6. The Marketer must agree to flow gas in accordance with the demand curves provided to Marketers by Columbia.

<u>Credit Requirements to Determine Credit Worthiness</u>

Columbia will evaluate Marketers desiring to participate in the program in order to establish acceptable credit levels. Marketers not meeting the necessary credit level will be required to provide additional security in the form of a letter of credit, surety bond, cash deposit, and/or appropriate guaranty to participate. In order to participate Marketers are required to provide the following information:

a) Most recent audited financial statements;
b) Most recent annual report to shareholders, 10K or 10Q, if applicable;
c) IRS Form 990 (for Non-Profit Corporation), if applicable;
d) List of parent company and affiliates;
e) Names, addresses and telephone numbers of three trade references; and
f) Names, addresses, and telephone numbers of banking institution contacts.

The evaluation will be based on standard credit factors such as previous customer history, Dun & Bradstreet financial and credit ratings, trade references, bank information, unused line of credit, and financial information. Based on the number of standard credit factors met by the Marketer, Columbia will assign a dollar credit level range for each Marketer. Columbia shall have sole discretion to determine credit worthiness, but will not deny credit worthiness without reasonable cause.

A fee of $50 will be assessed for each evaluation. Columbia reserves the right to conduct further evaluations during the course of the program when information has been received by Columbia that indicates the credit worthiness of a Marketer may have deteriorated or that the Marketer's program is exceeding the credit level range previously approved by Columbia. Columbia will review each Marketer's program no less often than monthly, and will compare each Marketer's program against its previously assigned credit level range. Columbia will reevaluate each Marketer's overall credit worthiness on an annual basis. Marketers whose programs exceed the assigned credit level range will be required, at Columbia's option, to provide additional security in the form of a letter of credit, surety bond, cash deposit, and/or appropriate guaranty in order to continue to participate in the program beyond the last established credit level or to enroll additional customers. If additional security is provided by a Marketer, Columbia will assign a new credit level range for the Marketer.

CUSTOMER ENROLLMENT PROCEDURES

A customer may enroll by any one of the following means: written, telephone, or internet.

Written Enrollment

Customers may enroll in the program by having the customer of record whose name is on the gas account execute a written consent form on a document supplied by the Marketer. A sample consent form is at the end of the Program Description. At a minimum, the consent form is to indicate that the customer has a written agreement with the Marketer, desires to participate in this program, and authorizes the Marketer to obtain from Columbia Gas of Kentucky gas usage data on the customer's account. The format of the consent form may be designed by the Marketer, but must include the information shown on the sample.

The written agreement with the Marketer must state the terms and conditions covering the customer's gas supply purchase in legible print and must include the following information:

1. In clear understandable terms, the customer's rights and responsibilities. The Marketer's customer service address and telephone number; a statement describing the Marketer's dispute resolution procedures; a statement that the Marketers must provide, to the maximum extent possible, the customer with 30 days written notice prior to discontinuing service.

2. Written pricing and payment terms that are clear and understandable.

3. Notification of the customer's right to terminate or renegotiate their gas supply contract.

4. Notice that the Marketer will provide Columbia Gas of Kentucky and the customer at least 30 days notice prior to the end of the customer contract term, if one exists, of the Marketer's intent to discontinue service to the customer.

5. A local or toll-free telephone number for customers to obtain information on their account and a method to resolve disputes with the Marketer. The Marketer shall provide a copy of the method to resolve disputes to Columbia Gas of Kentucky and the Kentucky Public Service Commission and the name and phone number of a contact person from the Marketer whom Columbia or the Commission may contact concerning customer complaints.

Telephone Enrollment

In the alternative, Marketers may telephonically enroll customers under the following conditions:

1. While engaged in a telephone conversation with a potential customer, the Marketer must audio-tape in a date-stamped recording the complete conversation, including the following information:

   (a) that the telephone conversation between the customer and Marketer is being recorded;

   (b) the customer either:

      (1) has reviewed the terms and conditions of the Marketer's offer and that the written terms and conditions constitute the entire agreement between the Marketer and the customer; or,

      (2) has reviewed orally with the Marketer the terms and conditions of the Marketer's offer, and agrees to enroll in the program subject to the Marketer mailing the customer an enrollment confirmation letter containing the terms and conditions of the offer within three business days, and that the written terms and conditions constitute the entire agreement between the Marketer and the customer;

   (c) the customer wants to enroll with the Marketer;

   (d) the customer's name;

   (e) the customer's telephone number;

   (f) the customer's mailing address;

   (g) the customer's Columbia Gas of Kentucky account number; and,

   (h) the appropriate enrollment cancellation period and a toll-free telephone number the customer may call to cancel enrollment:

      (1) For customers enrolled pursuant to 1.(b) (1) the cancellation period is seven days from the date on which the customer in enrolled telephonically; or,

      (2) For customers enrolled pursuant to 1.(b) (2) the Marketer must state that the Marketer will mail an enrollment confirmation letter containing the written terms and conditions to the customer and that the customer has seven days from receipt of the Marketer's confirmation letter to cancel enrollment.

(3) The customer must be advised that if the contract is cancelled by the customer, the Marketer will provide the customer with a cancellation number.

2. The Marketer must mail to the customer at the address verified by the inquiry, a letter confirming the customer's enrollment. This letter must contain a copy of the identical terms and conditions of the Marketer's offer. The letter must also conspicuously inform the customer of the right to cancel enrollment by calling a prescribed toll-free number within seven business days of receiving said letter of confirmation, and must inform the customer that if the contract is canceled the Marketer will provide the customer with a cancellation number.

<u>Internet Enrollment</u>

As another alternative, Marketers may enroll customers via the Internet provided that the terms and conditions of agreement are publicly posted and accessible and include the information as set forth in Written Enrollment above. The terms of the electronic publicly posted Internet agreement also shall state conspicuously that the customer has seven business days from the date on which the customer is enrolled via the Internet to cancel the agreement and shall provide a toll-free telephone number and/or an Internet or e-mail means for the customer to cancel the agreement within this period of time. The agreement shall state that if the customer cancels the agreement, the Marketer will provide the customer a cancellation number. Internet enrollment will be permitted under the following conditions:

1. All Internet enrollment procedures shall be customer-initiated;

2. The means of enrollment, renewal, renegotiation and cancellation information transfer between the customer and Marketer is an encrypted transaction using Secure Socket Layer or a similar encryption standard to ensure privacy of customer information;

3. Any electronic agreement containing a Marketer's terms and conditions shall be identified by a version number in order to ensure the ability to verify the particular agreement to which the customer assents;

4. The Marketer shall retain and make available to the customer throughout the duration of the agreement Internet access to terms and conditions of the agreement version number to which the customer assents;

5. Before a Marketer may enroll a customer, the Marketer's Internet enrollment process must:

(a) Prompt the customer to print or save the terms and conditions to which the customer assents, and provide an option to have written terms and conditions sent by regular mail.

(b) Require the customer to complete an Electronic Customer Consent Form in a format retrievable by the Marketer, containing a statement that comports with the Customer Consent Form as set forth herein. The Marketer must provide a mechanism by which both the submission and receipt of the electronic customer consent form are recorded by time and date;

(c) After the customer completes the Electronic Customer Consent Form, the Internet enrollment process shall disclose conspicuously that the customer has been enrolled.

6. The Marketer shall send an enrollment confirmation to the customer by e-mail at the specified e-mail address or by regular U. S. mail at the post office address specified by the customer. If the Marketer's e-mail attempt fails, the Marketer shall send an enrollment confirmation with the same information to the customer via regular U. S. mail at an address specified by the customer.

7. The Marketer shall provide customer a toll-free telephone number and/or Internet or e-mail means for the customer to cancel the agreement within seven business days from the date on which the customer is enrolled by the Internet. If the customer cancels the agreement, the Marketer shall provide customer with a cancellation number via the same medium through which the cancellation was made.

Marketers must provide a copy of each Customer Consent Form or audio tape of telephone enrollment recording to Columbia or the Kentucky Public Service Commission within seven business days of any such request. With Internet enrollments Marketers must provide either a copy of the Electronic Customer Consent form or on-line access to verify customer enrollment to Columbia or the Kentucky Public Service Commission within seven business days of any such request. Failure by a Marketer to provide timely such records shall be deemed to be a violation of the Code of Conduct and shall cause the customer to be returned to Columbia's sales service tariff and a $50.00 fee shall be paid by the Marketer to the Company and a $50.00 fee shall be paid by the Marketer to the customer.

Marketers shall retain Customer Consent Forms, telephone enrollment recordings, electronic consent forms and on-line access to verification of enrollment for twelve months following termination of the Marketer's service to the customer.

Marketers may add customers to their customer groups on a monthly basis. Marketers shall notify Columbia by the 15th day of the prior month the accounts for which they will be supplying the commodity in the next month, (i.e. by November 15 for deliveries beginning December 1). Marketers will provide a computer spreadsheet listing all of their accounts via electronic means suitable to Columbia Gas of Kentucky. The listing shall include customer account numbers. The Marketer will be responsible for verifying the eligibility of each customer. Any incomplete submittal will be returned to the Marketer for completion. Columbia will verify the listing with its database and then provide the Marketer a normalized monthly volumetric profile and demand curve for the customers in the aggregate as well as an exceptions report. In the event that a customer attempts to join more than one Customer Group, with more than one Marketer, Columbia Gas of Kentucky will assign the customer to the Marketer whose computer listing which includes the customer has been date-stamped first. Once enrolled with a Marketer and verified by Columbia, the Marketer shall send the customer a letter confirming the customer's choice of Marketer and stating the effective date. Whenever customers switch Marketers, the newly chosen Marketer shall send a letter confirming the customer's choice of a new Marketer.

STANDARDS OF CONDUCT AND CODE OF CONDUCT

Standards of Conduct

In operation of the Columbia Small Volume Gas Transportation Service program, the Company will adhere to the following Standards of Conduct for Marketing Affiliates and Internal Merchant Operations:

(1) Columbia must apply any tariff provision relating to transportation services in the same manner to the same or similarly situated persons if there is discretion in the application of the provision.

(2) Columbia must strictly enforce a tariff provision for which there is no discretion in the application of the provision.

(3) Columbia may not, through a tariff provision or otherwise, give any Marketer or any Marketer's customers preference in matters, rates, information, or charges relating to transportation service including, but not limited to, scheduling, balancing, metering, storage, standby service or curtailment policy. For purposes of Columbia's program, any ancillary service provided by Columbia that is not tariffed will be priced uniformly for all Marketers and available to all equally.

(4) Columbia must process all similar requests for transportation in the same manner and within the same approximate period of time.

(5) Columbia shall not disclose to anyone other than a Columbia Gas of Kentucky employee any information regarding an existing or proposed gas transportation arrangement, which Columbia receives from: (i) a customer or Marketer, (ii) a potential customer or Marketer, (iii) any agent of such customer or potential customer, or (iv) a Marketer or other entity seeking to supply gas to a customer or potential customer, unless such customer, agent, or Marketer authorizes disclosure of such information in writing.

(6) If a customer requests information about Marketers, Columbia should provide a list of all Marketers operating on its system, but shall not endorse any Marketer nor indicate a preference for any Marketer.

(7) Before making customer lists available to any Marketer, Columbia will use electronic mail to provide notice to all Marketers of its intent to make such customer list available. The notice shall describe the date the customer list will be made available, which shall in no case be less than three working days after the date of the notice, and the method and terms under which the customer list will be made available to all Marketers.

(8) To the maximum extent practicable, Columbia's operating employees and the operating employees of its marketing affiliate must function independently of each other. This includes complete separation of the regulated utility Company's procurement activities from the affiliated marketing company's procurement activities.

(9) Columbia shall not condition or tie its agreements for gas supply or for the release of interstate pipeline capacity to any agreement by a gas supplier, customer or other third party in which its marketing affiliate is involved.

(10) Columbia and its marketing affiliate shall keep separate books of accounts and records.

(11) Neither Columbia nor its marketing affiliate personnel shall communicate to any customer, Marketer or third party the idea that any advantage might accrue for such customer, Marketer or third party in the use of Columbia's service as a result of that customer's Marketer's or other third party's dealing with its marketing affiliate.

(12) Columbia shall establish a complaint procedure for issues concerning compliance with these standards of conduct. All complaints, whether written or verbal, shall be referred to the General Counsel of Columbia. The General Counsel shall orally acknowledge the complaint within five (5) working days of receipt. The General Counsel shall prepare a written statement of the complaint which shall contain the name of the complainant and a detailed factual report of the complaint, including all relevant dates, companies involved, employees involved, and specific claim. The General Counsel shall communicate the results of the preliminary investigation to the complainant in writing within thirty (30) days after the complaint was received including a description of any course of action which was taken. The General Counsel shall keep a file with all such complaint statements for a period of not less than three years.

(13) Columbia Gas of Kentucky's name or logo will not be used in its marketing affiliate's promotional material, unless the promotional material discloses in plain, legible or audible language, on the first page or at the first point where Columbia Gas of Kentucky's name or logo appears, that its marketing affiliate is not the same company as Columbia Gas of Kentucky.

Code of Conduct

Each Marketer participating in Columbia's Small Volume Gas Transportation Service program shall:

1. Communicate to customers, in clear understandable terms, the customers' rights and responsibilities. This communication shall include: (a) the Marketer's customer service address and telephone number; (b) a statement describing the Marketer's dispute resolution procedures; (c) a statement that the Marketer must provide the customer with thirty (30) days written notice prior to discontinuing service; and (d) notice that the program is subject to ongoing Commission jurisdiction.

2. Provide in writing to customers pricing and payment terms that are clear and understandable. This should include an explanation for the customer to allow them to compare the offer to Columbia's Gas Cost Recovery Rate exclusive of taxes and delivery charges.

3. With the exception of CAP customers, accept any Columbia residential customer that seeks to enroll if the Marketer has at least one rate available to residential customers and accept any other Columbia customer that seeks to enroll if the Marketer has at least one rate available to other customers.

4. Refrain from engaging in communications or practices with customers which are fraudulent, deceptive, or misleading;

5. Deliver gas to Columbia on a firm basis on behalf of the Marketer's participating customers.

6. Undergo a credit evaluation, at the Marketer's expense, to assure that the Marketer is sufficiently credit-worthy to protect against damages resulting from any failure to deliver gas.

7. Provide customers a "regulatory out" provision in all contracts which allows contracts to be terminated without penalty should the small volume gas transportation service program be terminated prior to the end of the contract.

8. Provide Columbia and customers at least thirty (30) days notice prior to the end of the customer contract term of the Marketer's intent to discontinue service to the customer.

9. To the maximum extent possible attempt to resolve disputes between the Marketer and customers.

10. No less than sixty (60) days and no more than ninety (90) days prior to the expiration of a contract that automatically renews for period of six (6)

months or longer, the Marketer shall notify the customer of their right to renew, terminate or renegotiate the contract. Such notice shall include any proposed changes in the terms and conditions of the contract.

If a Marketer fails to deliver gas in accordance with the requirements of the program, Columbia shall have the power, in its sole discretion, to suspend temporarily or terminate such Marketer's participation in the program. If the Marketer is expelled from the program, customers in the Marketer's customer group shall revert to Columbia sales service, unless and until said customer joins another Marketer customer group. Upon termination of a Marketer, Columbia shall notify Marketer's customers of the action and advise said customers that they have been returned to traditional sales service as of a date certain. The customer shall be informed of their opportunity to choose another Marketer and the options for enrollment.

In the event Columbia seeks to suspend or terminate a Marketer from the program, Columbia shall first notify the Marketer of the alleged violations which merit suspension or termination. Such notice shall be in writing and sent ten business days prior to the suspension or termination. Copies of the notice will also be provided to the Commission.

DISPUTE RESOLUTION

Each Marketer shall cooperate with Columbia and the Kentucky Public Service Commission to answer inquires and resolve disputes for customers served under Columbia's Small Volume Gas Transportation Service Rate Schedule. As part of this ongoing cooperation the following is required:

1. Marketer must provide a local or toll-free telephone number for customers to obtain information on their account and a method to resolve disputes with the Marketer. The Marketer shall provide a copy of the method to resolve disputes to Columbia and the Commission along with the name and phone number of a contact person from the Marketer whom the Commission and Columbia may contact concerning customer complaints and who has the authority to resolve complaints.

2. Marketer will, upon request by Columbia or the Commission, provide copies of all informational materials and standard contracts, including updates to these materials if substantially changed. Marketer will also provide copies of individual contracts as needed in order to resolve customer complaints.

3. Each Marketer shall cooperate with Columbia and the Commission to answer inquiries and resolve disputes. If a Marketer fails to negotiate or resolve customer disputes that arise from the customer's contract, complaints may be brought to the Commission through its normal complaint handling procedures.

In addition to the Kentucky Public Service Commission normal complaint procedure that is available to all customers, the Collaborative believes that customers and Marketers should have an additional process by which disputes can be resolved. To that end, the Collaborative will work to develop a dispute resolution process that will be available to all customers and Marketers. The Collaborative will consider using a panel to hear complaints made up of organizations that are not traditionally involved in utility matters such as the Better Business Bureau.

CUSTOMER BILLING

Columbia will bill the total cost to the customer including both Columbia's delivery charge and the Marketer's gas cost. Columbia will include a statement on the customer's bill indicating the customer's participation in the program and stating the Marketer with whom the customer is enrolled as a participant.

MARKETER BILLING OPTIONS

Marketers shall have the following billing options:

a. Fixed rate per Mcf provided by the Marketer each month, which will be applied to the customer's consumption to determine the applicable charges.

b. Flat amount per month (a flat amount per month provided by the Marketer will establish the applicable charge) Budget Payment Plan customers would not have the gas cost portion adjusted during the year.

c. Flat reduction to Columbia's bill.

d. Percentage reduction to Columbia's bill.

e. Other options proposed by Marketers will be considered by Columbia.

Customers must be grouped by billing option.

<u>Charges for Billing Rate Changes</u>

Every Marketer may establish up to five billing rates without incurring any Columbia charge to establish the Marketer's billing rates in Columbia's billing system. In addition, each Marketer may make up to two billing rate changes per month, up to a total of twelve changes in any calendar year, without incurring any Columbia charge to revise the Marketer's billing rates in Columbia's billing system. A billing rate change is defined as: 1) a change in an existing Marketer billing rate or 2) the establishment of a new Marketer billing rate.

If any Marketer desires to change more than two billing rates in any given month, or desires to change more than twelve billing rates in any calendar year, then Columbia shall charge the Marketer $25 for each billing rate change in excess of the billing rate change limits described above. Any such charges will be deducted from the amount of the check that Columbia sends to the Marketer for gas commodity.

Payment to Marketer

Columbia will issue a check to the Marketer by the last business day of the following calendar month for 97.5% of the Marketer's revenues from the previous billing month less the cost for billing and any other outstanding balances Marketer owes Columbia. Columbia will thereafter assume the risk of collecting payment for the gas commodity from small volume transportation customers.

Cost for Billing

The cost shall be $.20 per account, per month for Columbia to provide billing for the Marketer. Such fee shall reduce the amount remitted each month to the Marketer for its revenues.

Budget Payment Plan

When a customer is on the Budget Payment Plan as a sales customer, the customer will automatically continue as a Budget Payment Plan customer under the program.

Budget Payment Plan estimates will be calculated based upon the Marketer's estimated percent of change for the budget payment plan period. Marketers must provide an estimated percent of change for provision of this option. Customers whose Marketers have chosen to have customers billed a flat amount per month for the gas cost will not have the gas cost portion adjusted during the year. Each month Columbia will forward to the Marketer gas revenues based on actual deliveries to the customer and the Marketer's current month billing rate.

CUSTOMER ASSISTANCE PROGRAM ("CAP")

In November of 1995, Columbia Gas initiated the CAP program through a collaborative effort with Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties ("CAC"), the Attorney General of the Commonwealth of Kentucky, Kentucky Legal Services and the Lexington-Fayette Urban County Government. The CAP program offers low-income customers a gas utility bill payment based on customer monthly income. The CAP program recently underwent a thorough third-party evaluation substantiating the effectiveness of this program in serving low-income customers, encouraging consistent customer payment, reducing arrearage levels, reducing terminations, and encouraging energy conservation. Therefore, it is proposed that the CAP program be continued as a component of Columbia's Customer Choice program through the year 2004, with minor modifications from the original program design.

Following are the basic guidelines for the continuation of the CAP program:

- Low-income customers will provide a monthly payment, based on their ability to pay, as determined by the relationship of their household income to the federally recognized poverty level. The minimum monthly payment shall be $10.00.

- Existing participants will be notified of the program modifications and be allowed to remain in the program if they so choose. All individuals in the Columbia Gas service territory who are eligible can apply for the program. Further acceptance to the program will be on a first-come basis.

- Enrollment will be made available at the CAC by mail or at community based organizations including community action agencies in Columbia's service territory. Customer education regarding responsible payment practices and energy conservation will be provided at the time of enrollment.

- Also at the time of enrollment, low-income customers who do not have telephone service will be referred for assistance in this area.

- The CAC shall maintain the database of the program applicants and participants. Annual recertification of eligibility will be handled by CAC.

- Following enrollment, should participants receive a late payment (or termination) notice, fail to provide access to their gas meter, fail to recertify their income level, and/or substantially increase their gas usage, intervention will be provided by CAC staff.

- Community Action Council shall maintain a 1-800-phone number to answer questions, problems or concerns with the program.

- Weatherization and other energy conservation program referrals will be made for all CAP participants, as appropriate.

To further decrease the cost to serve CAP customers, the CAC will aggregate the CAP participants and take bids from certified Marketers to serve these customers under the small volume gas transportation program. This will ensure that CAP participants benefit from the savings afforded by Columbia's program.

The program will operate from the proceeds of a $175,000/year contribution from Columbia shareholders and continuation of the current 1.5 cent per Mcf charge levied on all residential, non-CAP throughput. See Table 1. Administrative systems are currently in place both at Columbia and the CAC to administer the program. Likewise, planning and evaluation costs will be significantly reduced as this program moves from "pilot project" to an ongoing program. Finally, as recommended in the evaluation of the pilot project, support services will be comprised only of initial enrollment and minimal intervention. These modifications will allow the CAC to serve more customers, as the budget allows.

TABLE 1 CAP Surcharge Revenue

Year Volumes in Mcf	1999	2000	2001	2002	2003	2004 Thru Oct.
Residential Volumes	11,694,000	11,839,000	11,979,000	12,173,000	12,302,000	9,748,000
CAP Volumes	58,470	59,195	59,895	60,865	61,510	48,740
Volumes eligible for Surcharge	11,635,530	11,779,805	11,919,105	12,112,135	12,240,490	9,699,260
Surcharge Revenue	$174,533	$176,697	$178,787	$181,682	$183,607	$145,489

Annual reports measure pre-determined benchmarks will be produced by the CAC and Columbia. Specific benchmarks will include (but are not limited to): on-time payments, termination notices, shut-offs, pay down on arrearages, and measures of program cost-effectiveness. In May of 2004, the Collaborative will evaluate the merits of continuing the program and report to the Commission its determination and subsequent request.

PROGRAM DESCRIPTION REVISIONS

As Columbia's small volume gas transportation program evolves, it may be necessary to revise this Program Description from time to time. If this Program Description is revised it will be redistributed to Marketers participating in the program and to all other interested parties. In the event anything in this Program Description conflicts with any provision of Columbia's tariff, the tariff shall control.

SAMPLE FORMS

COMPARISON CHART FOR EVALUATION OF OFFERS

Columbia Gas of Kentucky, Inc.
Small Volume Gas Transportation Service

Use this Chart to Compare Offers

Potential New Supplier	Price of Gas per Mcf
Marketer A	
Marketer B	
Marketer C	
Columbia Gas of Kentucky *Rates effective March 1, 1999	$ 4.0186*

CUSTOMER CONSENT FORM

I have signed a written agreement for the purchase of natural gas supply containing the terms and conditions of my service with my Marketer, ____________________. I understand and agree to those terms, and agree to participate in the program as a Small Volume Gas Transportation Service customer. My Marketer is entitled to obtain my historic and current gas usage data from Columbia Gas of Kentucky. I understand that Columbia Gas of Kentucky will deliver to me the gas I purchase from my Marketer. I will receive one bill from Columbia Gas of Kentucky that identifies my Marketer and includes both the delivery charge from Columbia and the gas purchase charge from my Marketer.

______________________________ __________

Signature of Customer Date

____

Print or Type Name

____

Columbia Gas of Kentucky Account Number

ATTACHMENT C

TARIFFS TO IMPLEMENT THE SMALL VOLUME GAS TRANSPORTATION PROGRAM TO BE EFFECTIVE NOVEMBER 1, 1999

1) **Proposed Tariffs**

2) **Marked – Up Current Tariffs**

C - Proposed Tariffs
effective 11/1/99

CURRENTLY EFFECTIVE BILLING RATES

N

RATE SCHEDULE SVGTS	Delivery Charge per Mcf
General Service Residential	
First 1 Mcf or less per month	$ 8.10 (Minimum Bill)
Over 1 Mcf per month	2.1800
CAP Surcharge	0.0150
General Service Other	
First 1 Mcf or less per month	$22.00 (Minimum Bill)
Next 49 Mcf per month	2.1800
Next 350 Mcf per month	2.1149
Next 600 Mcf per month	2.0149
Over 1000 Mcf per month	1.8409
Intrastate Utility Service	
For all volumes per month	$ 0.3539
Former Inland (IN6)	
For all volumes per month	$ 1.7363

SMALL VOLUME GAS TRANSPORTATION SERVICE
(SVGTS)
RATE SCHEDULE

N

APPLICABILITY

Entire service territory of Columbia Gas of Kentucky. See Sheet No. 8 for a list of communities.

AVAILABILITY

Available to any customer that meets the following requirements:

(1) Customer must be part of a Customer Group as the term is defined herein, and

(a) The Customer Group consists of either: (1) a minimum of 100 customers; or (2) a customer or group of customers with a minimum annual throughput of 10,000 Mcf. The Customer Group must be served by a single Marketer approved by Columbia; and the Marketer must have executed a Small Volume Aggregation Service agreement with Columbia; and,

(b) The Marketer must have acquired, or agreed to acquire, an adequate supply of natural gas of quality acceptable to Columbia, including allowances for (1) retention required by applicable upstream transporters; and (2) lost and unaccounted-for gas to be retained by Columbia. The Marketer must also have made, or have caused to be made, arrangements by which gas supply can be transported directly to specified receipt points on Columbia's distribution system; and,

(2) Customer has normal annual requirements of less than 25,000 Mcf at any delivery point, and

(3) Customer is currently a customer under the GS, IN6 or IUS Rate Schedule or in the case of a new customer would be considered a GS customer.

(4) Customers enrolled in Columbia's Customer Assistance Program as set forth on Sheet No. 51b relinquish their individual right to choose an alternative supplier as a condition of their participation in that program. The Customer Assistance Program administrator will be authorized to aggregate all of the Customer Assistance Program participants into a single Customer Group for the purpose of selecting a commodity supplier.

SMALL VOLUME GAS TRANSPORTATION SERVICE
(SVGTS)
RATE SCHEDULE (Continued)

N

CHARACTER OF SERVICE

Service provided under this schedule shall be considered firm service.

DELIVERY CHARGE

The Delivery Charge shall be the Base Rate Charge for the applicable Rate Schedule as set forth below:

General Service Residential

First 1 Mcf or less per month	$8.10 (Minimum Bill)
All over 1 Mcf per month	2.1800 per Mcf

General Service Other

First 1 Mcf or less per month	$22.00 (Minimum Bill)
Next 49 Mcf per month	2.1800 per Mcf
Next 350 Mcf per month	2.1149 per Mcf
Next 600 Mcf per month	2.0149 per Mcf
Over 1,000 Mcf per month	1.8409 per Mcf

Intrastate Utility Service

For all volumes per month	$0.3539 per Mcf

Former Inland (IN6)

For all volumes per month	$1.7363 per Mcf

WEATHER NORMALIZATION ADJUSTMENT

Volumes delivered to Residential and Commercial customers under this rate schedule are subject to a Weather Normalization Adjustment as stated on Sheet No. 51a.

CUSTOMER ASSISTANCE PROGRAM SURCHARGE

Volumes delivered to Residential customers under this rate schedule are subject to a Customer Assistance Program Surcharge as stated on Sheet No. 51b.

SMALL VOLUME GAS TRANSPORTATION SERVICE
(SVGTS)
RATE SCHEDULE (Continued)

N

LOCAL FRANCHISE FEE OR TAX

To the extent applicable, the above rates and charges are subject to Local Franchise Fee or Tax as set forth on Sheet No. 52.

LATE PAYMENT PENALTY

Late payment penalties shall apply to service under this rate schedule as provided in the General Terms, Conditions, Rules and Regulations, Section 25.

OTHER PROVISIONS

Where a Customer has installed a gas light(s) for continuous street or outdoor lighting in lighting devices approved by Company and the gas used by such light(s) is unmetered, the gas consumed by such light(s) shall be assumed to be two thousand (2,000) cubic feet per month when the Btu/hour input rating for such light(s) is 2,700 or less. For each additional 1,350 Btu/hour input or fraction thereof, the assumed consumption shall be increased by one thousand (1,000) cubic feet per month. Such assumed consumption shall be billed under the agreement Customer has with Marketer for metered consumption and shall be added to the Customer's metered usage and the total billed according to the rates contained herein.

RIGHT OF REFUSAL

Should Columbia be prohibited from assigning capacity, as specified in its Small Volume Aggregation Service Rate Schedule, for any reason whatsoever, including but not limited to directives from the Commission or any court having jurisdiction over said matters, Columbia shall have the right to refuse to accept new small volume transportation customers under this rate schedule as of the end of the ninety (90) day notice period as set forth on Sheet No. 35.

GENERAL TERMS, CONDITIONS, RULES AND REGULATIONS

Service furnished under this Rate Schedule is subject to Columbia's General Terms, Conditions, Rules and Regulations applicable to all Rate Schedules.

SMALL VOLUME AGGREGATION SERVICE
(SVAS)
RATE SCHEDULE

N

APPLICABILITY

Entire service territory of Columbia Gas of Kentucky. See Sheet No. 8 for a list of communities.

AVAILABILITY

Available to Marketers certified to deliver natural gas, on a firm basis, to the Company's city gates on behalf of customers receiving transportation service under Columbia's Small Volume Transportation Service Rate Schedule provided Marketer has a Customer Group consisting of either: (a) a minimum of 100 customers; or (b) a customer or a group of customers with a minimum annual throughput of 10,000 Mcf. Service hereunder allows Marketers to deliver to Company, on an aggregated basis, those natural gas supplies that are needed to satisfy the requirements of Customer Groups participating in Columbia's small volume transportation service program.

MARKETER CERTIFICATION

Marketers will be certified by Columbia to offer supply of natural gas to customers choosing service under Rate Schedule SVGTS provided they meet the following requirements:

1. Satisfactory completion of a determination of credit worthiness by Columbia;

2. Execution of a contract with Columbia for Small Volume Aggregation Service;

3. Marketer agrees to provide firm services to its customers. If requested by Columbia, Marketer must demonstrate that it has the capability to reliably serve its customers' firm requirements;

4. Marketer agrees to abide by the Code of Conduct as set forth herein; Columbia agrees to abide by the Standards of Conduct as set forth herein;

5. Marketer agrees to flow gas in accordance with the demand curves provided by Columbia.

AGGREGATION POOL

Marketers will be required to establish one or more Aggregation Pools for aggregation purposes. An Aggregation Pool shall be comprised of those customers within each Marketer's Customer Group located within the same Columbia Gas Transmission Corporation market area. Marketers shall have the option to create multiple Aggregation Pools within a single Columbia Gas Transmission market area.

SMALL VOLUME AGGREGATION SERVICE
(SVAS)
RATE SCHEDULE (Continued)

N

RATE

$0.05 per Mcf for all volumes delivered to the Marketer's Customer Group during the billing month.

BALANCING CHARGE

$0.35 per Mcf for all volumes delivered during the billing month to the Marketer's Customer Group for which the Marketer has not taken assignment of capacity from Columbia.

DEMAND CURVES

On or about the 20th of each month Columbia will provide the Marketers with the normalized monthly volumetric profile and daily demand curve(s) for the Marketer's customers. Columbia provides separate demand curves for the Marketers' Customer Groups in each market area. If a marketer provides the daily balancing for a portion of a marketer's Customer Group, and Columbia provides the balancing for the remainder of the group, Columbia provides separate demand curves for the two subgroups. As described in the sections titled "Delivery Requirement: Optional Assignment Phase" and "Delivery Requirement: Mandatory Assignment Phase", the marketer's demand curves and either the forecast or actual temperature determines the daily volume of gas the marketer must deliver for its customers.

Customer bills are calculated in a manner which assumes that a Marketer provides all of the gas consumed by a customer. However, Marketers do not normally provide all the gas consumed by their new customers and upon which initial bills under Rate Schedule SVGTS are calculated, due to cycle billing and the issuance of demand curves on a monthly basis. Columbia shall adjust Marketer demand curves to provide for repayment in kind of all gas actually supplied by Columbia or a customer's previous Marketer.

If Marketer fails to deliver gas in accordance with its customers' full service requirements for natural gas, Company shall supply natural gas temporarily to the affected customers, and shall bill Marketer the higher of either: 1) the fair market price for that period, or 2) the highest incremental cost of gas for that period that actually was paid by Columbia, including transportation and all other applicable charges. This gas will not be considered a credit for volumes delivered in the annual reconciliation.

In the event Marketer over-delivers to Columbia and such over-delivered volumes cause Columbia to incur penalties from a pipeline, or other costs associated with such excess supplies, then Marketer shall reimburse Columbia for the Marketer's prorata share of such penalties and costs.

Columbia assigns, or offers for assignment, only that daily transportation and storage capacity necessary to serve the demand of the Marketer's Customer Group on a day with design temperature. A Marketer must obtain its own capacity and supply to serve the incremental customer demand on days colder than design. Failure of a Marketer to deliver volumes on such days shall be grounds for expulsion from the small volume transportation service program.

SMALL VOLUME AGGREGATION SERVICE

(SVAS)

RATE SCHEDULE (Continued)

N

DAILY BALANCING

Daily balancing is the adjustment of volumes delivered to match the demand estimated for the Customer Group at the actual temperature. The balancing occurs retroactively the morning after the conclusion of the gas day, when the actual temperature is known. On the Columbia system, storage capacity provides the daily balancing. Deliveries in excess of estimated demand are injected retroactively into storage. If deliveries are less than demand, the deficiency is withdrawn retroactively from storage and delivered to the city gate.

ASSIGNMENT OF CAPACITY

In Phase 1, the optional assignment phase of the program, Marketers will not be required to take assignment of interstate pipeline transportation or storage capacity from Columbia in order to serve customers under Rate Schedule SVGTS. However, should program participation levels exceed expectations, Columbia reserves the right to implement Phase 2, the mandatory assignment phase, during which Columbia will require assignment of both transportation and storage capacity for any additional customers. Columbia shall notify the Commission and all certified Marketers ninety (90) days in advance of Columbia's intention to require such mandatory capacity assignment. Said notice will describe the terms under which Marketers must accept assignment of Columbia's capacity and will describe the duration of the required assignment.

Marketer shall, at Columbia's request, provide the necessary assistance required to complete assignment transactions.

REASSIGNMENT OF CAPACITY

Marketers may reassign capacity subject to recall by the Company. The assignee shall remain subject to all operational flow orders and recall provisions invoked by Columbia. The assignee continues to be responsible to Columbia for payment of all upstream pipeline charges associated with the assigned capacity, including but not limited to demand and commodity charges, shrinkage, injection and withdrawal charges, GRI charges, cashouts, transition costs, pipeline overrun, actual cost adjustments and all other applicable charges.

INITIAL PHASE: OPTIONAL ASSIGNMENT OF CAPACITY

Certified Marketers may elect the assignment of firm capacity from Columbia under Columbia Gas Transmission Corporation's Rate Schedules Firm Transportation Service ("FTS"), Firm Storage Service ("FSS") including Storage Service Transportation ("SST") and Columbia Gulf Transmission Corporation's Rate Schedule FTS-1. Transportation and storage capacities are offered in the same proportion as contracted for by Columbia to serve its existing peak day requirements. Total transportation and storage capacity offered will be equal to the sum of the peak day demands for each Aggregation Pool, as estimated by Columbia. Marketers may elect to take less than the maximum capacity offered.

SMALL VOLUME AGGREGATION SERVICE
(SVAS)
RATE SCHEDULE (Continued)

N

Marketers may elect the assignment of firm transportation and storage capacity, provided capacity is assigned in accordance with the following provisions:

1. Assignment of firm capacity on Columbia Gulf Transmission Corporation will be provided only if the Marketer accepts an equal volume of firm transportation capacity on Columbia Gas Transmission Corporation, adjusted for retention.

2. Firm Storage Service capacity will be assigned in the same ratio of seasonal contract quantity ("SCQ") to maximum daily storage quantity ("MDSQ") as contained in the Company's contracts with Columbia Gas Transmission. Marketers must also elect equal levels of Columbia Gas Transmission Corporation's SST capacity and MDSQ. Marketers which elect storage assignment must meet an annual minimum prescribed storage inventory level of 98% of SCQ at November 1; a minimum inventory level of 30% of SCQ at February 11. Marketers must pre-authorize Columbia Gas Transmission Corporation to provide this inventory information to Columbia for these dates.

3. Columbia's assignment of transportation and/or storage capacities, if any, will be in twelve (12) month increments.

4. Marketers assigned capacity by Columbia are subject to the terms and conditions of the tariffs of those pipeline companies on whose facilities capacity is assigned.

5. A Marketer that elects assignment of storage capacity shall serve the total daily demands of its customers through any combination of flowing supply and storage withdrawals, subject only to limitation of the pipeline tariffs. A Marketer that does not elect storage assignment must instead serve the balancing requirements of its customers with Daily Balancing provided by Columbia.

6. Columbia may recall any capacity assigned to Marketers pursuant to this paragraph, to resume service to customers in any instance where a Marketer fails to serve the daily demands of its customers.

CHANGES IN TRANSPORTATION ASSIGNMENT: OPTIONAL ASSIGNMENT PHASE

Columbia will increase at the Marketer's request, assignment of transportation capacity monthly to reflect increases in peak day requirements resulting from gains of customers.

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SMALL VOLUME AGGREGATION SERVICE
(SVAS)
RATE SCHEDULE (Continued)

CHANGES IN STORAGE ASSIGNMENT: OPTIONAL ASSIGNMENT PHASE

Effective April 1, Marketers may elect any volume of storage capacity up to the maximum offered for its Customer Group. Monthly in the months May through November, Columbia will adjust at the Marketer's request, assignment of storage capacity to reflect changes in peak day requirements resulting from gains or losses of customers. Marketer requests must be submitted no later than the 15^{th} day of the preceding month that the requested change is to become effective. Columbia will adjust the assignment of storage capacity no later than the first day of the applicable month subject to the following conditions:

1. All increases in the direct assignment of storage capacity to Marketers will be considered effective April 1 with Columbia being fully reimbursed for all related demand charges. Columbia will reduce said demand charges by crediting the Marketer the Balancing Charges paid by the Marketer subsequent to April 1 for that group of customers for which the Marketer will provide balancing service with this assignment. For any change in storage assignment which results in an increase in the direct assignment of storage capacity to the Marketer, effective the first day of any summer period month except April, Columbia and the Marketer will make a corresponding inventory transfer at the higher of: (1) the applicable LIFO rate; or (2) the Mid-Atlantic City Gate Columbia Gas Price Index reported for the first trading day of the month of the inventory transfer, as reported in *Gas Daily*, minus Columbia Gas Transmission Corporation SST commodity and fuel charges. In either instance the rate will be plus applicable taxes.

2. Marketers may request a reduction in the direct assignment of storage capacity provided the Marketer has incurred a net reduction in Customer Group volumes in the Columbia Gas Transmission Corporation market area behind which the Marketer's customer reside, and the net reduction in volumes results from the loss of customers. All decreases in the direct assignment of storage will be considered retroactive to April 1 with the Marketer being fully reimbursed for all related demand charges, but adjusted for the Balancing Charges that would have been necessary to serve that portion of the Marketer's Aggregation Pool(s) subsequent to April 1. In the event that a Marketer elects to return storage capacity, Columbia will have the right to purchase the corresponding storage inventory at 95 percent of the difference between the Mid-Atlantic City Gate Columbia Gas Price Index reported for the first trading day of the month of inventory transfer, as reported in *Gas Daily*, minus Columbia Gas Transmission Corporation SST commodity and fuel charges.

3. If a Marketer who has elected storage capacity assignment under the Optional Assignment provision and elects, effective April 1, not to renew the storage assignment from Columbia, the Marketer may choose how to dispose of any inventory remaining in storage. The Marketer will have the option to sell the inventory to Columbia at 95 percent of the difference of the Mid-Atlantic City Gate Columbia Gas Price Index reported for the first trading day of April in *Gas Daily* minus Columbia Gas Transmission Corporation SST commodity and fuel charges in effect at that time.

SMALL VOLUME AGGREGATION SERVICE
(SVAS)
RATE SCHEDULE (Continued)

N

PROVISION OF DAILY BALANCING: OPTIONAL ASSIGNMENT PHASE

A Marketer that elects storage assignment will provide daily balancing for a portion or all of its customers, depending on the volume of storage assigned. Columbia will specify a minimum volume of storage that the Marketer must elect if the Marketer wishes to provide balancing for its entire Customer Group. If the Marketer elects at least this minimum storage volume, the Marketer shall provide the balancing for the demand of its entire Customer Group, and shall not pay the balancing fee.

If the Marketer elects to provide balancing for only a portion of its Customer Group, Columbia will provide the balancing for the remainder of the group, and the Marketer will pay the balancing fee for the portion balanced by Columbia.

Columbia will provide separate demand curves for the portion of the group balanced by the Marketer and the portion balanced by Columbia.

DELIVERY REQUIREMENT: OPTIONAL ASSIGNMENT PHASE

All Marketers must make deliveries according to the demand curve for each Aggregation Pool. For the portion of the Customer Group for which the Marketer has elected storage assignment, the demand curve at the actual temperature will determine the Marketer's required daily delivery. Columbia will provide the actual temperature on the day after the gas day. For the portion of the group for which the Marketer has not elected storage assignment the Marketer shall deliver gas according to the demand curve at the projected temperature provided by Columbia.

Columbia may revise either the demand curve, or the delivery required on individual days, as it deems necessary for operational needs. Any Marketer which fails to deliver gas volumes in accordance with the demand curve may be suspended or excluded from participation as a certified Marketer.

MODIFICATIONS TO THE DEMAND CURVE: OPTIONAL ASSIGNMENT PHASE

For Customer Groups, or portions of Customer Groups, for which Columbia is providing balancing, Columbia may modify the demand curves as follows. Columbia may modify the demand curve downward during the months of October and November to provide for deliveries by the Marketer of less gas than the projected consumption level of the Customer Group. Conversely, Columbia may modify the demand curve upward during the months of May through August to offset under-deliveries in the months of October and November.

SMALL VOLUME AGGREGATION SERVICE
(SVAS)
RATE SCHEDULE (Continued)

N

SECOND PHASE: MANDATORY CAPACITY ASSIGNMENT

Columbia will assign firm capacity under Columbia Gas Transmission Corporation's Rate Schedules FTS, FSS including SST, Columbia Gulf Transmission Corporation's Rate Schedule FTS-1 and Tennessee Gas Pipeline Firm Transportation (FT-A). Columbia will assign transportation and storage capacity based on the operational requirements of the market area in which the Marketer is serving customers. Total transportation and storage capacity offered will be equal to the sum of the Phase 2 peak day demands for each Aggregation Pool, as estimated by Columbia.

Columbia will assign capacity in accordance with the following provisions.

1. Each Aggregation Pool must be located within a single Columbia Gas Transmission Corporation market area for purposes of assignment.

2. If Columbia assigns firm capacity on Columbia Gulf Transmission Corporation, Columbia will also assign an equal amount of firm transportation capacity on Columbia Gas Transmission Corporation, adjusted for retention.

3. Firm Storage Service capacity will be assigned in the same ratio of seasonal contract quantity ("SCQ") to maximum daily storage quantity ("MDSQ") as contained in the Company's contracts with Columbia Gas Transmission. Columbia will assign equal levels of Columbia Gas Transmission Corporation's SST capacity and MDSQ. Marketers must meet an annual minimum prescribed storage inventory level of 98% of SCQ at November 1; a minimum inventory level of 30% of SCQ at February 11. Marketers must pre-authorize Columbia Gas Transmission Corporation to provide this inventory information to Columbia for these dates.

4. Columbia's assignment of transportation and storage capacity will be in twelve (12) month increments.

5. Marketers assigned capacity by Columbia are subject to the terms and conditions of the tariffs of those pipeline companies on whose facilities capacity is assigned.

6. A Marketer shall serve the total daily demands of its Phase 2 customer demand through any combination of flowing supply and storage withdrawals, subject only to limitation of the pipeline tariffs.

7. Columbia may recall any capacity assigned to Marketers pursuant to this paragraph, to resume service to customers in any instance where a Marketer fails to serve the daily demands of its customers.

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(SVAS)
RATE SCHEDULE (Continued)

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CHANGES IN TRANSPORTATION ASSIGNMENT: MANDATORY ASSIGNMENT PHASE

Columbia will adjust assignment of transportation capacity monthly to reflect changes in peak day requirements resulting from gains of customers.

CHANGES IN STORAGE ASSIGNMENT: MANDATORY ASSIGNMENT PHASE

Columbia will increase assignment of storage capacity monthly to reflect increases in peak day requirements resulting from gains of customer demand. In the months April through November, Columbia will decrease assignment of storage capacity to reflect decreases in peak day requirements resulting from loss of customer demand. Columbia will make these adjustments in the assignment of storage capacity no later than the first day of the applicable month subject to the following conditions:

1. All increases in the direct assignment of storage capacity to Marketers will be considered effective April 1 with Columbia being fully reimbursed for all related demand charges. In the months November through March, Columbia will reduce said demand charges by crediting the Marketer the estimated storage demand charges paid subsequent to April 1 by that group of Phase 2 customers for which the Marketer will provide balancing service with this assignment. For any increase in the direct assignment of storage capacity to the Marketer, effective the first day of any summer period month except April, Columbia and the Marketer will make a corresponding inventory transfer at the higher of: (1) the applicable LIFO rate; or (2) the Mid-Atlantic City Gate Columbia Gas Price Index reported for the first trading day of the month of the inventory transfer, as reported in *Gas Daily*, minus Columbia Gas Transmission Corporation SST commodity and fuel charges. In either instance the rate will be plus applicable taxes.

2. In the months May through November, Columbia will reduce the direct assignment of storage capacity provided the Marketer has incurred a net reduction in Customer Group volumes in the Columbia Gas Transmission Corporation market area behind which the Marketer's customer reside, and the net reduction in volumes results from the loss of customers. All decreases in the direct assignment of storage will be considered retroactive to April 1 with the Marketer being fully reimbursed for all related demand charges. Columbia will have the right to purchase the corresponding storage inventory at 95 percent of the difference between the Mid-Atlantic City Gate Columbia Gas Price Index reported for the first trading day of the month of inventory transfer, as reported in *Gas Daily*, minus Columbia Gas Transmission Corporation SST commodity and fuel charges.

DAILY BALANCING. MANDATORY ASSIGNMENT PHASE

The Marketer shall provide the balancing for the demand of its entire Phase 2 Customer Group and shall not pay the balancing fee for this demand.

SMALL VOLUME AGGREGATION SERVICE
(SVAS)
RATE SCHEDULE (Continued)

N

DELIVERY REQUIREMENT: MANDATORY ASSIGNMENT PHASE

All Marketers must make deliveries according to the demand curve for each Aggregation Pool. The demand curve at the actual temperature will determine the Marketer's required daily delivery. Columbia will provide the actual temperature on the day after the gas day.

Columbia may revise either the demand curve, or the delivery required on individual days, as it deems necessary for operational needs. Any Marketer which fails to deliver gas volumes in accordance with the demand curve may be suspended or excluded from participation as a certified Marketer.

RETURN OF CAPACITY AND STORAGE INVENTORY: APPLICABLE IN BOTH THE OPTIONAL AND MANDATORY ASSIGNMENT PHASES

If a Marketer elects to no longer provide natural gas to Columbia's SVGTS customers, Columbia shall have the right to recall any capacity assigned to the Marketer. The Marketer will have the option to sell the inventory to Columbia at 95 percent of the difference of the Mid-Atlantic City Gate Columbia Gas Price Index reported for the first trading day of April in *Gas Daily* minus Columbia Gas Transmission Corporation SST commodity and fuel charges.

If a Marketer has elected capacity assignment or been assigned capacity under the mandatory assignment provisions and subsequently is terminated as provided in the Code of Conduct then Columbia will recall the capacity. However, the Marketer shall remain responsible for the difference between the market value of the assigned capacity for the remaining year and the full demand charges. Columbia shall have the option to buy the storage inventory held by the Marketer for its Customer Group. Columbia's purchase price will equal 95 percent of the difference of the Mid-Atlantic City Gate Columbia Gas Price Index reported for the prior trading day in the *Gas Daily* published on the day Columbia issues its decision less Columbia Gas Transmission Corporation SST commodity and fuel charges.

NOMINATION AND SCHEDULING OF DELIVERIES

Marketers must nominate and schedule all deliveries through the Company's electronic nomination system. Nominations must be made daily, including weekends and holidays, to meet the demand curve volumes.

MARKETER DEMONSTRATION OF FIRM DELIVERY

Marketers shall deliver on a firm basis, sufficient supplies of natural gas to meet the daily requirements of their Aggregation Pools. Such deliveries shall be made at Columbia receipt points within the specific Columbia Gas Transmission Corporation market area(s) which correlates with each Marketer Aggregation Pool. Columbia shall have the right to require Marketers to demonstrate that: (a) the Marketer has scheduled sufficient supplies at these points, using firm capacity with

SMALL VOLUME AGGREGATION SERVICE
(SVAS)
RATE SCHEDULE (Continued)

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primary point delivery entitlements at such points to match the demand of their customers; or (b) the Marketer's supply was delivered to Columbia via alternate mechanisms at points of receipt acceptable to Columbia. Failure to demonstrate sufficient deliveries to Columbia in any Columbia Gas Transmission market area or at any specific interstate pipeline connection required to meet the daily demand of Marketer's customers will subject Marketer to bear their respective share of any and all costs incurred by Columbia as a result of Marketer's failure. These costs will be deducted from the Marketer's monthly payment of revenues.

Columbia will consider, to the extent operationally feasible, Marketer requests to deliver supplies to Columbia receipt points from interstate pipelines other than Columbia Gas Transmission on a case-by-case basis. Such requests shall be for deliveries to satisfy customer requirements within the same Columbia Gas Transmission market area in which the requested alternate delivery point exists.

ANNUAL RECONCILIATION

Columbia will reconcile imbalances on an annual basis on each July 31st for each Marketer, through determination of the difference between: (1) the Marketer's deliveries for the twelve-month period ended July 31st and (2) the actual consumption of the Marketer's aggregate Customer Group, adjusted for recognition of all adjustments applicable to a prior annual period ended July 31st.

Marketers will have the option to eliminate the imbalance through either: (1) payment from Columbia for excess deliveries or billed from Columbia for under-deliveries at the average for the twelve-month period ended July 31st of the midrange of the Mid-Atlantic Citygate Columbia Gas price index reported for the first trading day of the month in *Gas Daily*, or (2) the exchange of gas with Columbia via a storage inventory transfer or delivery over the next thirty (30) days. All elections must be made at the time the Marketer executes a contract with Columbia for Small Volume Aggregation Service.

GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS
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SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)

N

CODE OF CONDUCT

Each Marketer participating in Columbia's Small Volume Gas Transportation Service program shall:

1. Communicate to customers, in clear understandable terms, the customers' rights and responsibilities. This communication shall include: (a) the Marketer's customer service address and telephone number; (b) a statement describing the Marketer's dispute resolution procedures; (c) a statement that the Marketer must provide the customer with thirty (30) days written notice prior to discontinuing service; and (d) notice that the program is subject to ongoing Commission jurisdiction.

2. Provide in writing to customers pricing and payment terms that are clear and understandable. This should include an explanation for the customer to allow them to compare the offer to Columbia's Gas Cost Recovery rate exclusive of taxes and delivery charges.

3. With the exception of CAP customers, accept any Columbia residential customer that seeks to enroll if the Marketer has at least one billing rate available to residential customers and accept any Columbia commercial customer that seeks to enroll if the Marketer has at least one billing rate available to commercial customers.

4. Refrain from engaging in communications or practices with customers which are fraudulent, deceptive, or misleading;

5. Deliver gas to Columbia on a firm basis on behalf of the Marketer's participating customers.

6. Undergo a credit evaluation, at the Marketer's expense, to assure that the Marketer is sufficiently credit-worthy to protect against damages resulting from any failure to deliver gas.

7. Provide customers a "regulatory out" provision in all contracts which allows contracts to be terminated without penalty should the small volume gas transportation program be terminated prior to the end of the contract.

8. Provide Columbia and customers at least thirty (30) days notice prior to the end of the customer contract term of the Marketer's intent to discontinue service to the customer.

9. To the maximum extent possible attempt to resolve disputes between the Marketer and its customers.

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GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS
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CODE OF CONDUCT - Continued

10. No less than sixty (60) days and no more than ninety (90) days prior to the expiration of a contract that automatically renews for period of six (6) months or longer, the Marketer shall notify the customer of their right to renew, terminate or renegotiate the contract. Such notice shall include any proposed changes in the terms and conditions of the contract.

If a Marketer fails to deliver gas in accordance with the requirements of the program, Columbia shall have the power, in its sole discretion, to suspend temporarily or terminate such Marketer's participation in the program. If the Marketer is expelled from the program, customers in the Marketer's Customer Group shall revert to Columbia sales service, unless and until said customer joins another Marketer Customer Group. Upon termination of a Marketer, Columbia shall notify Marketer's customers of the action and advise said customers that they have been returned to traditional sales service as of a date certain. The customer shall be informed of their opportunity to choose another Marketer and the options for enrollment.

In the event Columbia seeks to suspend or terminate a Marketer from the program, Columbia shall first notify the Marketer of the alleged violations which merit suspension or termination. Such notice shall be in writing and sent ten business days prior to the suspension or termination. Copies of the notice will also be provided to the Commission.

CREDIT WORTHINESS

Marketers will be evaluated to establish credit levels acceptable to Columbia. Marketers not meeting the necessary credit level will be required, at Columbia's option, to provide additional security in the form of a letter of credit, surety bond, cash deposit, and/or appropriate guaranty to be certified.

Marketers are required to provide the following information for evaluation:

1. Most recent audited financial statements;
2. Most recent annual report to shareholders, 10K or 10Q, if applicable;
3. IRS Form 990 (for Non-Profit Corporations), if applicable;
4. List of parent company and affiliates;
5. Names, addresses, and telephone numbers of three (3) trade references; and
6. Names, addresses, and telephone numbers of banking institution contacts.

GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS
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SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)

N

CREDIT WORTHINESS -Continued

The evaluation will be based on standard credit factors such as previous customer history, Dun & Bradstreet financial and credit ratings, trade references, bank information, unused line of credit, and financial information. Based on the number of standard credit factors met by the Marketer, Columbia will assign a dollar credit level range for each Marketer. Columbia shall have sole discretion to determine credit worthiness but will not deny credit worthiness without reasonable cause.

A fee of $50 will be assessed for each evaluation. Columbia reserves the right to conduct further evaluations during the course of the program when information has been received by Columbia that indicates the credit worthiness of a Marketer may have deteriorated or that the Marketer's program is exceeding the credit level range previously approved by Columbia. Columbia will review each Marketer's program no less often than monthly, and will compare each Marketer's program against its previously assigned credit level range. Columbia will reevaluate each Marketer's overall credit worthiness on an annual basis. Marketers whose programs exceed the assigned credit level range will be required, at Columbia's option, to provide additional security in the form of a letter of credit, surety bond, cash deposit, and/or appropriate guaranty in order to continue to participate in the program beyond the last established credit level or to enroll additional customers. If additional security is provided by a Marketer, Columbia will assign a new credit level range for the Marketer.

CUSTOMER ENROLLMENT PROCEDURES

A customer may enroll by any one of the following means: written, telephone or internet.

Written Enrollment

Customers may enroll in the program by having the customer of record whose name is on the gas account execute a written consent form on a document supplied by the Marketer. A sample consent form is at the end of this section. At a minimum, the consent form is to indicate that the customer has a written agreement with the Marketer, desires to participate in this program, and authorizes the Marketer to obtain from Columbia Gas of Kentucky gas usage data on the customer's account. The format of the consent form may be designed by the Marketer, but must include the information shown on the sample.

The written agreement with the Marketer must state the terms and conditions covering the customer's gas supply purchase in legible print and must include the following information:

1. In clear understandable terms, the customer's rights and responsibilities. The Marketer's customer service address and telephone number; a statement describing the Marketer's dispute resolution procedures; a statement that the Marketer must provide the customer with 30 days written notice prior to discontinuing service.

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N

Written Enrollment -Continued

2. Written pricing and payment terms that are clear and understandable.

3. Notification of the customer's right to terminate or renegotiate their gas supply contract.

4. Notice that the Marketer will provide Columbia Gas of Kentucky and the customer at least 30 days notice prior to the end of the customer contract term, if one exists, of the Marketer's intent to discontinue service to the customer.

5. A local or toll-free telephone number for customers to obtain information on their account and a method to resolve disputes with the Marketer. The Marketer shall provide a copy of the method to resolve disputes to Columbia Gas of Kentucky and the Kentucky Public Service Commission and the name and phone number of a contact person from the Marketer whom Columbia or the Commission may contact concerning customer complaints.

Telephone Enrollment

In the alternative, Marketers may telephonically enroll customers under the following conditions:

1. While engaged in a telephone conversation with a potential customer, the Marketer must audio-tape in a date-stamped recording the complete conversation, including the following information;

   (a) the telephone conversation between the customer and Marketer is being recorded;.

   (b) the customer either:

   (1) has reviewed the terms and conditions of the Marketer's offer and that the written terms and conditions constitute the entire agreement between the Marketer and the customer; or,

   (2) has reviewed orally with the Marketer the terms and conditions of the Marketer's offer, and agrees to enroll in the program subject to the Marketer mailing the customer an enrollment confirmation letter containing the terms and conditions of the offer within three business days, and that the written terms and conditions constitute the entire agreement between the Marketer and the customer;

   (c) the customer wants to enroll with the Marketer;

   (d) the customer's name;

   (e) the customer's telephone number;

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N

Telephone Enrollment - Continued

(f) the customer's mailing address;

(g) the customer's Columbia Gas of Kentucky account number; and,

(h) the appropriate enrollment cancellation period and a toll-free telephone number the customer may call to cancel enrollment:

(1) For customers enrolled pursuant to 1.(b) (1) the cancellation period is seven days from the date on which the customer in enrolled telephonically; or,

(2) For customers enrolled pursuant to 1.(b) (2) the Marketer must state that the Marketer will mail an enrollment confirmation letter containing the written terms and conditions to the customer and that the customer has seven days from receipt of the Marketer's confirmation letter to cancel enrollment.

(3) The customer must be advised that if the contract is cancelled by the customer, the Marketer will provide the customer with a cancellation number.

2. Following enrollment by telephone, the Marketer must mail to the customer at the address verified by the inquiry, a letter confirming the customer's enrollment. This letter must contain a copy of the identical terms and conditions of the Marketer's offer. The letter must also conspicuously inform the customer of the right to cancel enrollment by calling a prescribed toll-free number within seven business days of receiving said letter of confirmation, and must inform the customer that if the contract is canceled the Marketer will provide the customer with a cancellation number.

Internet Enrollment

As another alternative, Marketers may enroll customers via the Internet provided that the terms and conditions of agreement are publicly posted and accessible and include the information as set forth in Written Enrollment above. The terms of the electronic publicly posted Internet agreement also shall state conspicuously that the customer has seven business days from the date on which the customer is enrolled via the Internet to cancel the agreement and shall provide a toll-free telephone number and/or an Internet or e-mail means for the customer to cancel the agreement within this period of time. The agreement shall state that if the customer cancels the agreement, the Marketer will provide the customer a cancellation number. Internet enrollment will be permitted under the following conditions:

1. All Internet enrollment procedures shall be customer-initiated;

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GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS
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SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)

Internet Enrollment - Continued

2. The means of enrollment, renewal, renegotiation and cancellation information transfer between the customer and Marketer is an encrypted transaction using Secure Socket Layer or a similar encryption standard to ensure privacy of customer information;

3. Any electronic agreement containing a Marketer's terms and conditions shall be identified by a version number in order to ensure the ability to verify the particular agreement to which the customer assents;

4. The Marketer shall retain and make available to the customer throughout the duration of the agreement Internet access to terms and conditions of the agreement version number to which the customer assents;

5. Before a Marketer may enroll a customer, the Marketer's Internet enrollment process must:

   (a) prompt the customer to print or save the terms and conditions to which the customer assents, and provide an option to have written terms and conditions sent by regular mail;

   (b) require the customer to complete an Electronic Customer Consent Form in a format retrievable by the Marketer, containing a statement that comports with the Customer Consent Form as set forth herein. The Marketer must provide a mechanism by which both the submission and receipt of the electronic customer consent form are recorded by time and date;

   (c) after the customer completes the Electronic Customer Consent Form, the Internet enrollment process shall disclose conspicuously that the customer has been enrolled;

6. The Marketer shall send an enrollment confirmation to the customer by e-mail at the specified e-mail address or by regular U. S. mail at the post office address specified by the customer. If the Marketer's e-mail attempt fails, the Marketer shall send an enrollment confirmation with the same information to the customer via regular U. S. mail at an address specified by the customer;

7. The Marketer shall provide customer a toll-free telephone number and/or Internet or e-mail means for the customer to cancel the agreement within seven business days from the date on which the customer is enrolled by the Internet. If the customer cancels the agreement, the Marketer shall provide customer with a cancellation number via the same medium through which the cancellation was made.

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SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)

N

Internet Enrollment - continued

Marketers must provide a copy of each Customer Consent Form or audio tape of telephone enrollment recording to Columbia or the Kentucky Public Service Commission within seven business days of any such request. With Internet enrollments Marketers must provide either a copy of the Electronic Customer Consent form or on-line access to verify customer enrollment to Columbia or the Kentucky Public Service Commission within seven business days of any such request. Failure by a Marketer to provide timely such records shall be deemed to be a violation of the Code of Conduct and shall cause the customer to be returned to Columbia's sales service tariff and a $50.00 fee shall be paid by the Marketer to the Company and a $50.00 fee shall be paid by the Marketer to the customer.

Marketers shall retain Customer Consent Forms, telephone enrollment recordings, electronic consent forms and on-line access to verification of enrollment for twelve months following termination of the Marketer's service to the customer.

Marketers may add customers to their Customer Groups on a monthly basis. Marketers shall notify Columbia by the 15th day of the prior month the accounts for which they will be supplying the commodity in the next month. (i.e. by November 15 for deliveries beginning December 1). Marketers will provide a computer spreadsheet listing all of their accounts via electronic means suitable to Columbia Gas of Kentucky. The listing shall include customer account numbers. The Marketer will be responsible for verifying the eligibility of each customer. Any incomplete submittal will be returned to the Marketer for completion. Columbia will verify the listing with its database and then provide the Marketer a normalized monthly volumetric profile and demand curve for the customers in the aggregate as well as an exceptions report. In the event that a customer attempts to join more than one Customer Group, with more than one Marketer, Columbia Gas of Kentucky will assign the customer to the Marketer whose computer listing which includes the customer has been date-stamped first. Once enrolled with a Marketer and verified by Columbia, the Marketer shall send the customer a letter confirming the customer's choice of Marketer and stating the effective date. Whenever customers switch Marketers, the newly chosen Marketer shall send a letter confirming the customer's choice of a new Marketer.

BILLING

Columbia will bill according to the Marketer billing option by Customer Group. Columbia will include a statement on the customer's bill indicating the customer's participation in the program and stating the Marketer with whom the customer is enrolled. The rate for billing shall be $0.20 per account, per month. Such fee shall be deducted from the amount remitted each month to the Marketer for its revenues.

PAYMENT TO MARKETER

Columbia will issue a check to the Marketer by the last business day of the following calendar month for 97.5% of the Marketer's revenues from the previous billing month less the cost for billing and any other outstanding balances Marketer owes Columbia. The revenues will be based on actual deliveries to customers served under Rate Schedule SVGTS and the Marketer's current month billing rate. Customers' volumes will be considered actual volumes whether the meter reading is actual or calculated.

GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS
APPPLICABLE TO
SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)

N

HEAT CONTENT ADJUSTMENT

When Company receives Marketer's gas from an interstate pipeline on a dekatherm (one million Btu) basis, Company will make a heat content adjustment in accordance with the procedures set forth below in order to deliver to customer volumes of gas, in Mcf, equal in heat content to the gas delivered to Company for the customer. The average monthly heating value of gas measured and calculated by the pipeline which deliver Marketer's gas to Company will be used each billing month to establish the heating value of the gas delivered by Company to customer. However, if locally produced gas or gas from pipeline other than the delivering pipeline is introduced into Company's pipeline serving customer, so as to raise a question as to the applicability of the heating value determined by the delivering pipeline, either Company or Marketer may request that gas samples be taken to determine the heating value of the gas received by customer at its facilities. The following provision will apply in the event either party elects to have gas samples taken:

(A) The party requesting the sample(s) will pay all costs connected with obtaining the sample(s) and having the sample(s) analyzed.

(B) The gas sample(s) shall be obtained at or in the vicinity of customer's facilities during normal working hours.

(C) The gas sample(s) will be analyzed at a Company testing facility or at a testing facility approved by Company.

(D) If the analysis is done by an outside testing facility, the testing facility will forward the results directly to Company and the Marketer, using a format provided by Company for recording the results of the analysis. If Company performs the analysis, the Company testing facility will forward the results directly to the Marketer.

(E) Multiple samples taken during any billing month will be averaged to obtain a Btu value; that Btu value will be applied only for that particular billing month. No retroactive adjustments based on Btu readings obtained in a current billing month will be made to billings for any prior month.

(F) The average Btu value obtained from sample(s) during any billing month shall be used to determine the volumes delivered by Company to customer only if such Btu value is more than 103% or less than 97% of the saturated (wet) Btu value provided by the delivering pipeline for that month, otherwise the delivering pipeline's Btu value will be used.

MEASUREMENT AT POINT(S) OF RECEIPT WITH AN INTERSTATE PIPELINE

When Company receives Marketer's gas at point(s) of receipt with an interstate pipeline, all measurement shall be performed in accordance with the terms of Company's agreement with that interstate pipeline.

GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS
APPPLICABLE TO
SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)

N

QUALITY OF GAS DELIVERED TO COMPANY

Gas delivered by or on behalf of Marketer to Company shall conform to interstate pipeline gas quality standards.

WARRANTY OF TITLE

Marketer warrants that it will have good and merchantable title to all natural gas delivered to Company for redelivery to customer(s), that such gas will be free and clear of all liens, encumbrances and claims whatsoever, and that it will indemnify Company and hold it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any and all persons to said gas.

CHARGES FOR THIRD PARTY SERVICE

If furnishing service to customer pursuant to this tariff requires Company to use transportation service provided by another entity, any cost incurred by, or billed to Company with regard thereto, shall be charged to Marketer by Company and paid by Marketer. Such costs shall include, without limitation, transportation or delivery charges, retainage for Company use and unaccounted-for gas, and penalties incurred as a result of gas volume imbalances or other factors set forth in the applicable rate schedule or contract of such other entity

FORCE MAJEURE

Neither Company nor Marketer shall be liable in damages to the other for any act, omission or circumstance occasioned by or in consequence of any acts of God, strikes, lockouts affecting the company or its suppliers of gas, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and peoples, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, the binding order of any court or governmental authority which has been resisted in good faith by all reasonable legal means, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension.

Such causes or contingencies affecting the performance hereunder by either Company or Marketer, however, shall not relieve it of liability in the event of its concurring negligence or in the event of its failure to use due diligence to remedy the situation and to remove the cause in an adequate manner and will all reasonable dispatch, nor shall such causes or contingencies affecting such performance relieve either party from its obligations to make payments of amounts then due hereunder in respect of gas theretofore delivered.

GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS
APPPLICABLE TO
SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)

N

DISPUTE RESOLUTION

Each Marketer shall cooperate with Columbia and the Kentucky Public Service Commission to answer inquires and resolve disputes for customers served under Columbia's Small Volume Gas Transportation Service Rate Schedule. As part of this ongoing cooperation the following is required:

1. Marketer must provide a local or toll-free telephone number for customers to obtain information on their account and a method to resolve disputes with the Marketer. The Marketer shall provide a copy of the method to resolve disputes to Columbia and the Commission along with the name and phone number of a contact person from the Marketer whom the Commission and Columbia may contact concerning customer complaints and who has the authority to resolve complaints.

2. Marketer will, upon request by Columbia or the Commission, provide copies of all informational materials and standard contracts, including updates to these materials if substantially changed. Marketer will also provide copies of individual contracts as needed in order to resolve customer complaints.

3. Each Marketer shall cooperate with Columbia and the Commission to answer inquiries and resolve disputes. If a Marketer fails to negotiate or resolve customer disputes that arise from the customer's contract, complaints may be brought to the Commission through its normal complaint handling procedures.

STANDARDS OF CONDUCT

Columbia will adhere to the following Standards of Conduct for Marketing Affiliates and Internal Merchant Operations:

1. Columbia must apply any tariff provision relating to transportation services in the same manner to the same or similarly situated persons if there is discretion in the application of the provision.

2. Columbia must strictly enforce a tariff provision for which there is no discretion in the application of the provision.

3. Columbia may not, through a tariff provision or otherwise, give any Marketer or any Marketer's customers preference in matters, rates, information, or charges relating to transportation service including, but not limited to, scheduling, balancing, metering, storage, standby service or curtailment policy. For purposes of Columbia's program, any ancillary service provided by Columbia that is not tariffed will be priced uniformly for all Marketers and available to all equally.

4. Columbia must process all similar requests for transportation in the same manner and within the same approximate period of time.

GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS
APPPLICABLE TO
SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)

N

<u>STANDARDS OF CONDUCT</u> – Continued

5. Columbia shall not disclose to anyone other than a Columbia Gas of Kentucky employee any information regarding an existing or proposed gas transportation arrangement, which Columbia receives from: (i) a customer or Marketer, (ii) a potential customer or Marketer, (iii) any agent of such customer or potential customer, or (iv) a Marketer or other entity seeking to supply gas to a customer or potential customer, unless such customer, agent, or Marketer authorizes disclosure of such information in writing.

6. If a customer requests information about Marketers, Columbia should provide a list of all Marketers operating on its system, but shall not endorse any Marketer nor indicate a preference for any Marketer.

7. Before making customer lists available to any Marketer, Columbia will use electronic mail to provide notice to all Marketers of its intent to make such customer list available. The notice shall describe the date the customer list will be made available, which shall in no case be less than three working days after the date of the notice, and the method and terms under which the customer list will be made available to all Marketers.

8. To the maximum extent practicable, Columbia's operating employees and the operating employees of its marketing affiliate must function independently of each other. This includes complete separation of the regulated utility Company's procurement activities from the affiliated marketing company's procurement activities.

9. Columbia shall not condition or tie its agreements for gas supply or for the release of interstate pipeline capacity to any agreement by a gas supplier, customer or other third party in which its marketing affiliate is involved.

10. Columbia and its marketing affiliate shall keep separate books of accounts and records.

11. Neither Columbia nor its marketing affiliate personnel shall communicate to any customer, marketer or third party the idea that any advantage might accrue for such customer, marketer or third party in the use of Columbia's service as a result of that customer's marketer's or other third party's dealing with its marketing affiliate.

GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS
APPPLICABLE TO
SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)

N

STANDARDS OF CONDUCT - Continued

12. Columbia shall establish a complaint procedure for issues concerning compliance with these Standards of Conduct. All complaints, whether written or verbal, shall be referred to the General Counsel of Columbia. The General Counsel shall orally acknowledge the complaint within five (5) working days of receipt. The General Counsel shall prepare a written statement of the complaint which shall contain the name of the complainant and a detailed factual report of the complaint, including all relevant dates, companies involved, employees involved, and specific claim. The General Counsel shall communicate the results of the preliminary investigation to the complainant in writing within thirty (30) days after the complaint was received including a description of any course of action which was taken. The General Counsel shall keep a file with all such complaint statements for a period of not less than three years.

13. Columbia Gas of Kentucky's name or logo will not be used in its marketing affiliate's promotional material, unless the promotional material discloses in plain, legible or audible language, on the first page or at the first point where Columbia Gas of Kentucky's name or logo appears, that its marketing affiliate is not the same company as Columbia Gas of Kentucky.

GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS
APPPLICABLE TO
SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)

N

CUSTOMER CONSENT FORM

I have signed a written agreement for the purchase of natural gas supply containing the terms and conditions of my service with my Marketer, ____________________. I understand and agree to those terms, and agree to participate in the program as a Small Volume Gas Transportation Service customer. My Marketer is entitled to obtain my historic and current gas usage data from Columbia Gas of Kentucky. I understand that Columbia Gas of Kentucky will deliver to me the gas I purchase from my Marketer. I will receive one bill from Columbia Gas of Kentucky that identifies my Marketer and includes both the delivery charge from Columbia and the gas purchase charge from my Marketer.

________________ ______
Signature of Customer Date

____
Print or Type Name

____
Columbia Gas of Kentucky Account Number

COLUMBIA GAS OF KENTUCKY, INC.

DELIVERY SERVICE (DS)
RATE SCHEDULE

APPLICABILITY

Entire service territory of Company. See Sheet No. 8 for a list of communities.

AVAILABILITY

This rate schedule is available to any Customer throughout the territory served by Company provided:

(1) Customer has executed a contract with Company for Delivery Service, and

(2) Customer has normal annual requirements of not less than 25,000 Mcf at any delivery point, and T

(3) Customer currently is a sales Customer under the GS, IS or IUS Rate Schedule.

Customers Grandfathered T

This rate schedule is also available to customers with normal annual requirements of less than 25,000 Mcf but not less than 6,000 Mcf, at any delivery point taking service under a contract with Company for delivery service executed prior to April 1, 1999. N

BASE RATE

General Service:	
First 400 Mcf	$2.1149 per Mcf for all gas delivered each billing month.
Next 600 Mcf	$2.0149 per Mcf for all gas delivered each billing month.
Over 1,000 Mcf	$1.8409 per Mcf for all gas delivered each billing month.
Interruptible Service:	
First 30,000 Mcf	$0.6368 per Mcf for all gas delivered each billing month.
Over 30,000 Mcf	$0.3384 per Mcf for all gas delivered each billing month.
Intrastate Utility Service:	$0.3539 per Mcf for all gas delivered each billing month.
Former IN8:	$1.0575 per Mcf for all gas delivered each billing month.

ADMINISTRATIVE CHARGE

The monthly administrative charge shall be $65.00.

GAS COST ADJUSTMENT

Recovery of Direct Bill Take-or-Pay

Delivery service Customers shall be subject to a Gas Cost Adjustment as shown on Sheet Nos. 5 and 6.

DATE OF ISSUE: April 22, 1999

DATE EFFECTIVE: November 1, 1999

Issued by: Joseph W. Kelly

Vice President and Chief Operating Officer

COLUMBIA GAS OF KENTUCKY, INC.

GAS COST ADJUSTMENT CLAUSE
APPLICABLE TO ALL RATE SCHEDULES

GAS COST ADJUSTMENT CLAUSE

Determination of GCA

Company shall file a quarterly report with the Commission which shall contain an updated Gas Cost Adjustment (GCA) Rate and shall be filed at least thirty (30) days prior to the beginning of each quarterly calendar period. The GCA shall become effective for billing with the final meter readings of the first billing cycle of each quarterly calendar period.

The gas cost adjustment is comprised of:

(1) The Expected Gas Cost Component (EGC), on a dollar-per-Mcf basis, is made up of two components: (a) Expected Commodity Gas Cost which applies to Rate Schedules GS, IS, and IUS, and represents the average expected commodity cost of gas supplied, and (b) Expected Demand Gas Cost which applies to Rate Schedules GS and IUS, and represents the average expected demand cost calculated using the billing determinants in effect April 1, 1999, excluding the Standby Service demand costs to be recovered from IS Customers and General Service Delivery Service Customers. T T

(2) The supplier Refund Adjustment (RA), on a dollar-per-Mcf basis, which reflects refunds received during the reporting period plus interest at a rate equal to the average of the "three month commercial paper rate" for the immediately preceding twelve month period. In the event of any large or unusual refunds, Company may apply to the Commission for the right to depart from the refund procedure herein set forth.

(3) The Actual Cost Adjustment (ACA), on a dollar-per-Mcf basis, which compensates for any previous over or undercollections of gas costs experienced by the company through the operation of this gas cost recovery procedure. The ACA shall be based on the twelve months ended June 30th each year, with the ACA factor to be in effect for twelve months beginning September 1st of each year.

(4) The Balancing Adjustment (BA), on a dollar-per-Mcf basis, which compensates for any under or overcollections which have occurred as a result of prior adjustments.

NOTE: All adjustments applicable to the period prior to the effective date of this revised Gas Cost Adjustment Clause will be reconciled through the Expected Commodity Gas Cost to all Customers. Adjustments after the effective date will be assigned to the Expected Demand Gas Cost and Expected Commodity Gas Cost components.

COLUMBIA GAS OF KENTUCKY, INC.

GAS COST ADJUSTMENT CLAUSE
APPLICABLE TO ALL RATE SCHEDULES
(Continued)

GAS COST ADJUSTMENT CLAUSE - (Continued)

Billing

The Gas Cost Adjustment (GCA) shall be the sum of the following components:

$$GCA = EGC + RA + ACA + BA$$

The GCA will be added to (or subtracted from) the tariff rates prescribed by the Commission Order on Company's latest rate case and will be included in the tariff rates stated on each applicable rate sheet in this tariff.

Definitions

For the purpose of this tariff:

(a) "Average expected cost" is the cost of Commodity Gas volumes during the latest available twelve month period and Demand Gas volumes as of April 1, 1999, which is determined by the application of suppliers' rates currently in effect, or reasonably expected to be in effect during the quarterly calendar period, less banking and balancing charges, and less the demand costs to be recovered from IS and General Service Delivery Service Customers, divided by the volumes for the latest available twelve month period. Expected Commodity Gas Cost shall be divided by sales volumes. Expected Demand Gas Cost shall be divided by sales plus Rate Schedule SGVTS volumes. Where the calculations require the use of volumes used during a given period, and those volumes did not exist for a particular source for the entire period, or Company expects the volumes to change substantially, Company may make appropriate adjustments in its calculations. Any adjustments of this type shall be described in the Quarterly Gas Cost Adjustment report. T T T

(b) "quarterly calendar period" means each of the four three month periods of (1) September through November, (2) December through February, (3) March through May, and (4) June through August. T

(c) "Reporting period" means the three month accounting period that ended approximately thirty (30) days prior to the filing date of the updated gas recovery rates, i.e. the three months ended June 30th, September 30th, December 31st, and March 31st each year.

DATE OF ISSUE: April 22, 1999 **DATE EFFECTIVE:** November 1, 1999

Issued by: Joseph W. Kelly Vice President and Chief Operating Officer

GAS COST ADJUSTMENT CLAUSE
APPLICABLE TO ALL RATE SCHEDULES
(Continued)

GAS COST ADJUSTMENT CLAUSE - (Continued)

Delivery Service

FERC approved direct billed pipeline supplier charges relating to the buyout of Take-or-Pay liabilities will be billed to Delivery Service Fixed Rate Volumes.

Banking and Balancing Service

This rate is based on the percentage of the portion of storage capacity allocated to Delivery Service Customers to Company's total annual storage capacity, applied to:

(1) Columbia Transmission's FSS seasonal capacity charge, annualized,

(2) Columbia Transmission's SST commodity charge, and

(3) Columbia Transmission's FSS injection and withdrawal charges

as calculated in the Gas Cost Adjustment.

Capacity Release Revenues: T

Capacity release revenues generated by Administrative Releases will be credited 100% to gas cost.

COLUMBIA GAS OF KENTUCKY, INC.

GAS COST ADJUSTMENT CLAUSE
APPLICABLE TO ALL RATE SCHEDULES
(Continued)

GAS COST ADJUSTMENT CLAUSE - (Continued)

Off-System Sales Revenue: T

All revenue generated by operational sales will be credited 100% to gas cost.

Prior to making any off-system sale, Columbia will consider the impact of such sale upon its system gas supply, and will also evaluate the benefits that will accrue to sales customers as a result of the off-system sale.

Interim Gas Cost Adjustments

Should any significant change in supplier rates occur, Company may apply to the Commission for an Interim Gas Cost Adjustment Clause in addition to the regular quarterly Gas Cost Adjustment Clause filings.

COLUMBIA GAS OF KENTUCKY, INC.

WEATHER NORMALIZATION ADJUSTMENT CLAUSE
APPLICABLE TO GS, SVGTS AND GPS RATE SCHEDULES T

WEATHER NORMALIZATION ADJUSTMENT (WNA)

The sales to Residential and Commercial Customers under Rate Schedules GS, SVGTS and GPS shall be increased or decreased monthly by an amount hereinafter described as the Weather Normalization Adjustment (WNA). T

Determination of WNA

Weather normalized volumes shall be utilized during the December through April billing months to calculate the non-gas portion of the bills of all heating Customers served under Rate Schedules GS, SVGTS and GPS. During the remainder of the year May through November, the monthly bills shall be computed based on actual consumption. T

Weather Normalization Adjustment will be calculated using the following formula:

WNA = [(Actual Mcf - Base Load Mcf) * (Normal Degree Days / Actual Degree Days)]

Each customer's base load will be determined individually, and will be recomputed annually. Rates used in the computation of the WNA shall be determined based on the applicable base rate charge as set forth on Sheet No. 5 of this tariff.

COLUMBIA GAS OF KENTUCKY, INC.

**CUSTOMER ASSISTANCE PROGRAM SURCHARGE
APPLICABLE TO GSR RATE SCHEDULE**

CUSTOMER ASSISTANCE PROGRAM (CAP)

T

The CAP is a program that allows enrolled customers to remit a fixed percentage of their income as payment for gas service. It is available to residential customers in Company's service territory subject to enrollment by the CAP Administrator. The CAP surcharge shall be applicable to all other residential customers under the General Service and Small Volume Gas Transportation Service Rate Schedules.

Rate:

N

The CAP surcharge shall be $0.015 per Mcf.

DATE OF ISSUE: April 22, 1999

DATE EFFECTIVE: November 1, 1999

Issued by: Joseph W. Kelly

Vice President and Chief Operating Officer

STRANDED COST/ RECOVERY POOL

N

STRANDED COST/ RECOVERY POOL

Columbia shall establish an account to track through October 31, 2004 all of the stranded costs and revenues associated with Columbia's small volume gas transportation service program. Interest will be calculated on the Net Stranded Costs at a rate equal to the average of the three month commercial paper rate for the immediately preceding twelve month period and assigned to the Stranded Cost/Recovery Pool.

The following shall be included in the Stranded Cost/Recovery Pool:

1. GCR Demand – Demand charges associated with sales volumes converting to transportation. An amount will be determined monthly by multiplying the Expected Demand Gas cost component of Columbia's Gas Cost Adjustment times the volumes delivered under Rate Schedule SVGTS.

2. Information Technology - Incremental expenses for computer programming enhancements to facilitate the small volume gas transportation service program.

3. Education – Expenses for customer education conducted by Columbia for the small volume gas transportation service program, including development of program and materials and implementation.

4. Lost Standby Revenues – Amount of revenue lost due to customers exiting Rate Schedule DS and converting to Rate Schedule SVGTS.

5. Capacity Assignment – Amount of revenue received for Columbia's capacity that marketers choose to take and use as part of the small volume gas transportation service program.

6. Balancing Charges – Revenue received from balancing charge assessed to Marketers under the small volume gas transportation service program.

7. Expiring Contracts – Value of contracts naturally expiring prior to 2004 but volumes retained in billing determinants for the Expected Demand Gas cost component of Columbia's Gas Cost Adjustment.

8. Off-System Sales – 65% of all revenues received from off-system sales and exchanges (other than those revenues generated by operational sales), net of costs, during the period November 1, 1999 through October 31, 2004.

9. Capacity Release – Revenues from capacity release, other than those revenues generated by Administrative Releases, during the period from November 1, 1999 through October 31, 2004 will be credited as follows:

   (1) A benchmark will be fixed based on an annualized simple monthly average using actual data for the thirty-six months ending October 31, 1999.

STRANDED COST/ RECOVERY POOL
(Continued)

N

STRANDED COST/ RECOVERY POOL – (Continued)

(2) In each annual period beginning November 1 and ending October 31, 100% of capacity release revenues will be credited to the Stranded Cost/Recovery Pool until the benchmark is reached.

(3) Columbia will retain 100% of capacity release revenues above the benchmark until the benchmark is 65% of the total at which point Columbia shall retain 35% of revenues and 65% of revenues shall be credited to the Stranded Cost/Recovery Pool.

10. Any revenue received from penalties assessed Marketers as part of the small volume gas transportation service program will also be assigned to the Stranded Cost/Recovery Pool. Penalties imposed upon Marketer as a prorata share of pipeline penalties and/or costs Columbia itself incurs are not included.

Net Stranded Costs

Net Stranded Costs = Stranded Cost/Recovery Pool + Interest:

If the Net Stranded Costs balance at November 1, 2004 is less than $3,000,000, positive or negative, Columbia will either absorb the loss or retain the gain. Should the revenues used to offset stranded costs exceed stranded costs by more than $3,000,000, Columbia will retain the first $3,000,000 of said revenues and refund the revenues in excess of $3,000,000 through the Gas Cost Adjustment mechanism. Should stranded costs exceed the revenues used to offset stranded costs by more than $3,000,000 Columbia will absorb the first $3,000,000 of the shortfall. With respect to that part of the shortfall that is in excess of $3,000,000, Columbia shall recover that amount in a manner approved by the Commission.

GENERAL TERMS, CONDITIONS, RULES AND REGULATIONS
(Continued)

33. CUSTOMER BILL FORMAT AND CONTENT - (Continued)

9. Customer Account Number -
identifies your account on our records. For more efficient service, please use it when you call or write us about your account.

10. Minimum Monthly Charge -
covers a portion of the fixed costs required to ensure that natural gas service is available to your home or business. This amount will be the same each month.

11. Gas Delivery Charge -
covers the costs to physically deliver natural gas to your home or business each month. The total delivery charge amount will vary each month according to your gas usage.

12. Gas Supply Cost -
cost of natural gas itself. There is no mark-up on the price of gas; therefore, we make no profit on the gas cost. The total gas supply cost amount will increase as gas usage increases. If Customer chooses an alternative supplier, the supplier's name will also appear on the Customer's bill. N

13. Due Date & Amount -
the date payment is due and the amount you should pay.

14. Gas Used -
the difference between the meter readings equals the amount of gas you used between the dates, shown in MCF. (1 MCF = 1000 cubic feet of gas.)

15. Message Area -
items of interest and concern may be included in the message area from time to time.

16. Columbia Gas Information -
for your convenience in contacting us, this is our address, office hours and phone number.

17. Back of Bill -
the back of your bill includes additional information about payment, including an explanation of codes and other customer services.

ATTACHMENT D

SUPPORTING DOCUMENTATION

1) GCR Demand without Choice – Contracts Expiring Included
2) GCR Demand with Choice – Contracts Expire on Schedule
3) Balancing Charge
4) Minimum Assignment of Storage Capacity

D - Supporting Documentation

1) GCR Demand without Choice – Contracts Expiring Included

FIRM TRANSPORTATION, STORAGE AND LNG AGREEMENTS

				Termination Date	Winter Capacity	Summer Capacity
CKY	COL GULF	37910	FTS-1	10/31/04	28,991	28,991
CKY	COL GAS	38126	FTS	10/31/4	21,552	21,552
CKY	COL GAS	38238	FTS	3/31/00	20,014	20,014
CKY	COL GAS	38093	SST	10/31/04	190,880	95,440
CKY	COL GAS	37811	FSS	10/31/04	190,880	190,880
CKY	COVE POINT	FPS2-CKY	FPS-2	4/15/01	5,000	
CKY	TENNESSEE	377	FT-A	11/1/00	1,000	1,000
CKY	TENNESSEE	12753	FT-A	10/31/02 A/	20,506	20,506

A/ Not included in expiring contracts because it is assumed that contract will be extended.

COLUMBIA GAS OF KENTUCKY, INC.
FIRM TRANSPORTATION, STORAGE AND LNG AGREEMENTS
MONTHLY CONTRACT VOLUMES - CONTRACTS EXPIRING INCLUDED

	Rate	Contract Volume									
Pipeline	Schedule	Jan-99	Feb-99	Mar-99	Apr-99	May-99	Jun-99	Jul-99	Aug-99	Sep-99	Oct-99
Col Gulf	FTS-1	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991
TCO	FTS	41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566
	FSS-MDSQ	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880
	FSS-SCQ	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942
	SST	190,880	190,880	190,880	95,440	95,440	95,440	95,440	95,440	95,440	190,880
Cove Point	FPS-2 Daily	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Tennessee	FT-A	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	FT-A	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506

Nov-99	Dec-99	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00	Jul-00	Aug-00	Sep-00	Oct-00
28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991
41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566
190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880
9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942
190,880	190,880	190,880	190,880	190,880	95,440	95,440	95,440	95,440	95,440	95,440	190,880
5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,00
1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506

FORM OF SERVICE AGREEMENT
FOR SMALL VOLUME AGGREGATION SERVICE
RATE SCHEDULE

This agreement is made and entered into this ______ day of __________, 199_, between Columbia Gas of Kentucky, Inc., a Kentucky corporation, 2001 Mercer Road, P. O. Box 14241, Lexington, KY 40512-4241, hereinafter "Company", and ______________________________________, hereinafter "Agent."

WHEREAS, Agent has secured firm supplies of natural gas which it intends to supply and sell to natural gas customers located on the Company's system, all within the parameters established by the Company for its Small Volume Gas Transportation Service program as set forth in rate schedule SVAS.

WHEREAS, Company is willing and able, pursuant to the terms of this Agreement, to accept gas delivered into its citygate receipt points by Agent and to redeliver such gas supplies to Agent's aggregations of customers, all of whom have elected transportation service from the Company under its tariff Rate Schedule SVGTS.

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement, Company agrees to permit aggregations of customers and Agent hereby agrees to aggregate in accordance with the following terms and conditions for all aggregations served under this Agreement:

ARTICLE I

Definitions

For purposes of interpreting this Agreement, the following definitions shall apply:

1. Aggregation Service. Aggregation Service is a service provided by the Company that allows agents to deliver to the Company, on an aggregated basis, those natural gas supplies that are needed to satisfy the requirements of the transportation customer(s) that comprise the membership of the Agent's "aggregation pools," all in accordance with rules that the Company has established regarding delivery requirements, billing and payments, supplier performance requirements, and other similar requirements for participation as an "Agent" in the Company's Small Volume Gas Transportation Service tariff.

2. The Aggregation. The aggregation referred to herein shall mean each aggregation pool that Agent establishes under this Agreement.

3. Customer(s). Customer(s) means a recipient of transportation service provided by the Company under its Rate Schedule SVGTS which secures its supply of gas from Agent. For the purposes of Company's small volume gas transportation program ("the Program"), the Company shall provide to Agent a list of customers who have agreed to take service from Agent and who have been verified by the Company through comparison with the Company's customer database.

ARTICLE II

Term

The term of this Agreement shall commence of the first day of the month after execution hereof and, subject to Agent's continued compliance with the requirements outlined herein for participation in this Program, shall continue in effect thereafter for a primary term of twelve (12) months. Thereafter, this Agreement shall continue from month-to-month, unless terminated by either party, upon at least ninety (90) days advance written notice, or unless terminated pursuant to the provisions of Articles III, VI, and VIII of this Agreement. However, in no case shall any aggregation hereunder included in this Agreement be terminated during a winter month (November through March), unless such winter period termination date is mutually agreed upon by both the Company and Agent and/or except pursuant to the provisions of Articles III, VI, and VIII of this Agreement. Agent shall be required to incorporate sufficient flexibility into its agreements with its end-user customers that is serves, so that the operation of this provision will not contravene end-user customer's rights under those agreements. In the event this Agreement, in its entirety, is terminated in accordance with the procedures contained herein, and agent no longer supplies natural gas to those customers hereunder aggregated, Agent's customers shall be given the option of either electing an alternate Agent, or returning to the company's system supply.

ARTICLE III

Requirements for Program Participation

The standards for participation in the Program shall be the creditworthiness standards specified on Sheet 37a of the Company's tariff. Accordingly, in order to participate as an "Agent" in the Company's program, Agent shall, upon request, provide the Company, on a confidential basis, with balance sheet and other financial statements, and with appropriate trade and banking references. Agent also agrees to allow the Company to conduct a credit investigation as to Agent's credit-worthiness and will pay a $50 processing fee to Columbia to cover the cost of a credit check. Further, if the Company determines that it is necessary, Agent agrees to maintain a cash deposit, a surety bond, an irrevocable letter of credit at a Company approved bank of the Agent's choosing, or such other financial instrument, as the Company may require during the term of this Agreement in order to assure Agent's performance of its obligations under this Agreement. In order to assure that the value of such financial security instruments remains proportional to Agent's potential liability under this Agreement, the required dollar amounts of such instruments shall be adjusted at the sole discretion of the Company, as customers are added to, or deleted from, Agent's aggregation pool. Agent agrees that, in the event it defaults on its obligations under this Agreement, Company shall have the right to use such cash deposit or the proceeds from such bond, irrevocable letter of credit, or other financial instrument to satisfy Agent's obligations under this Agreement. Such proceeds shall be used to secure additional gas supplies, including payment of the costs of the gas supplies themselves, the costs of transportation, storage, gathering and other related costs incurred in bringing those gas supplies into the Company's system. The proceeds form such instruments shall also be used to satisfy any outstanding claims that the Company may have against Agent, including, but not limited to, imbalance charges, cash-out charges, pipeline penalty charges, reservations charges, and other amounts owed to the Company, and arising from, Agent's participation in this Program.

In the event Agent elects, or is forced, to terminate its participation in this Program in accordance with the provisions of this Agreement, it shall continue its obligations to maintain its financial security instrument until it has satisfied all of its outstanding claims of the Company.

In addition to the above financial requirements, the Agent shall comply with all applicable provisions of Company's tariff. The Code of Conduct as set forth on Sheet No. 37 of Company's tariff is incorporated herein by reference. Agent acknowledges that in its capacity as an "Agent" in this Program, it has a continuing responsibility to conduct its business in a legal and ethical manner.

As a condition of this Agreement and Agent's participation in the Program, Agent authorizes Company to verify with interstate pipelines Agent's primary delivery point entitlements and deliveries of natural gas supplies as described in Company's tariff Rate Schedule Small Volume Aggregation Service.

Company will maintain a list of Agents who have met the Program financial and performance requirements. This list will be made available to customers upon request.

ARTICLE IV

Full Requirements Service

In exchange for the opportunity to participate in this aggregation service, Agent agrees to supply its aggregation customers' full service requirements for natural gas on both a daily and monthly basis. If Agent fails to deliver gas in accordance with its aggregation customers' full service requirements for natural gas, Company shall supply natural gas temporarily to the affected aggregation customers, and shall bill Agent the higher of either: 1) the fair market price for that period, or 2) the highest incremental cost of gas for that period that actually was paid by Company, including transportation and all other applicable charges. This gas will not be considered a credit for volumes delivered in the annual reconciliation.

ARTICLE V

Supply Co-Management Defined

Company's aggregation service requires that Agent, as a participant in the Program, accepts supply co-management responsibility as defined hereinafter, as a quid pro quo for its participation in this Agreement.

Agent agrees to deliver gas supplies into the Company's designated citygate receipt points on a daily basis, in accordance with the aggregate usage requirements of those customers that comprise each of the Agent's aggregation pools. For those transportation customers which are members of Agent's aggregation pools without daily measurement, Agent must agree to the Company's estimate of customer consumption as provided in Company's tariff and pay all charges assessed by the Company as provided in Company's tariff.

Company assigns, or offers for assignment, only that daily transportation and storage capacity necessary to serve the demand of the Agent's customer group on a day with design temperature. An Agent must obtain its own capacity and supply to serve the incremental customer demand on days colder than design. Failure of an Agent to deliver volumes on such days shall be grounds for expulsion.

Annual Reconciliation

Agent shall also be required to balance on an annual basis its gas deliveries into the Company's system with the actual overall usage levels of each of Agent's customer aggregation pools, as specified in the Company's tariff.

Company will reconcile imbalances on an annual basis on each July 31st, for each Agent, through determination of the difference between: (1) the Agent's deliveries for the twelve-month period ended July 31st and (2) the actual consumption of the Agent's aggregate Customer Group, adjusted for recognition of all adjustments applicable to a prior annual period ended July 31st. Company will complete the imbalance calculation within 20 working days of the end of the annual period.

Agents will have the option to eliminate the imbalance through either: 1) payment from Company for excess deliveries or billing from Company for under-deliveries at the average for the twelve-month period ended July 31st of the mid-range of the Mid-Atlantic Citygate Columbia Gas price index reported for the first trading day of the month in *Gas Daily*, or 2) the exchange of gas with Company via a storage inventory transfer or delivery over the next thirty (30) days. The Agent will specify in this Aggregation Service Agreement which option it has selected and the selected option will apply for the reconciliation made at the end of the twelve month period following the selection. The Agent may change the option that it has selected once annually on August 1st of each calendar year. If the Agent does not change its option as permitted herein, then the latest option selected by the Agent shall apply.

Agent Selection: (circle one)	Option 1 (Cash Out)	Option 2 (Exchange)

ARTICLE VI

Billing and Charges

The Company will provide Agents with each of their aggregation pools actual usage data for the aggregation pool's most recent billing period as customers are billed by the Company under Rate Schedule SVGTS.

Agent's transportation quantities shall be determined from the Company's "Monthly Summary Billing Report." The "Monthly Summary Billing Report" reflects customer's actual billed transport volumes as reported to Agent, as generated within the Company's revenue reporting system.

The billings and charges related to the daily balancing service provided by the Company are specified in the Company's tariff.

If Agent has been assigned capacity and subsequently, is excluded from further participation in the Program, as provided in the Code of Conduct of the Company's tariff, then Company will recall the capacity. However, Agent shall remain responsible for the difference between the market value of the assigned capacity for the remainder of the year and the full demand charges.

ARTICLE VII

Payment

On a monthly basis for the term of the Agreement, Company shall make payment to Agent for the revenues billed for the Agent. The payment shall be at a two and one-half percent (21/2%) discount of the total amount billed by the Company for the Agent to its total Customer Group(s) for providing natural gas supplies to the Customer Group(s) for that month. Company shall calculate the amount due Agent by first adding together all of the bills for natural gas sold to customers in the Agent's aggregation pools and then multiplying that total amount by ninety-seven and one-half percent (971/2%).

Company and Agent agree that if the Agent owes the Company any fees, costs or penalties pursuant to the Company's tariff, the Company shall have the right of set-off against those fees, costs or penalties due and owing to the Company. In calculating the payment due the Agent under this Agreement, said fees, costs or penalties shall be deducted from the amount to be paid to the Agent after the discount has been applied to the total amount billed by the Company.

Payment to Agent shall be made to Agent by the Company within thirty (30) days after the last unit billed in any billing cycle. Said monthly payment shall be made to the Agent by the Company regardless of whether any particular customer(s) in the Agent's Customer Group(s) pays their bill(s).

The Company reserves the right to adjust the Agent's account with regard to payment for amounts billed by Company for the Agent for up to two (2) years after the original billing date for any individual customer's bill at issue for accounting, meter reading, measurement accuracy or any other necessary adjustment.

ARTICLE VIII

Remedies

Defaults. In addition to other rights to terminate or cancel that appear elsewhere in this Agreement, if Company or Agent fails to perform, to a material extent, any of the obligations imposed upon either under this Agreement, then the other party may, at its option, terminate or cancel this Agreement by causing written notice thereof to be served on the party in default, stating specifically the cause for terminating or canceling this Agreement and declaring it to be the intention of the party giving the notice to terminate or cancel the same. In the event a party receives notice of termination or cancellation made pursuant to this Article VIII, the party in default shall have thirty (30) days after the service of the aforesaid notice in which to remedy or remove the cause or causes stated in the notice for terminating or canceling this Agreement, an if, within said period of thirty (30) days, the party in default does so remedy or remove said causes, then such notice shall be deemed to have been withdrawn and this Agreement shall continue in full force and effect. If the party in default does not so remedy or remove the cause or causes within said period of thirty (30) days, then, at the option of the party giving notice, this Agreement shall terminate or cancel as of the expiration of said thirty (30) day period.

Sole and Exclusive Remedies. The liquidated damages, termination rights, cancellation rights, and interest payment and other remedies outlined in this Agreement and in the Company's tariffs for non-performance herein shall be Company and Agents' sole and exclusive remedies for such non-performance. In no event shall either party be liable for special, incidental, exemplary, punitive, indirect or consequential damages including, but not limited to, loss of profit or revenue, cost of capital, cost of substitute products, downtime costs, or claims for damages by third parties upon Company or Agent. This applies whether claims are based upon contract, warranty, tort, (including negligence and strict liability), or other theories of liability.

ARTICLE IX

Force Majeure

Neither of the parties hereto shall be liable in damages to the other, except for the actual delivered costs, plus shrinkage, of replacement supplies and flow through of penalty charges, for any act, omission, or circumstance occasioned by or in consequence of any acts of God, strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquake, fires, storms, floods, washouts, civil disturbances, explosions, breakage, or accident to machinery or lines of pipe, gas curtailment imposed by interstate or intrastate pipelines, the binding order of any court or governmental authority which has been resisted in good faith by all reasonable legal means, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension.

Such causes or contingencies affecting the performance hereunder by either party hereto, however, shall not relieve it of liability in the event of its concurring negligence or in the event of its failure to use due diligence to remedy the situation and to remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies affecting such performance relieve Agent from its obligations to make payments of amounts due hereunder.

ARTICLE X

Title to Gas

Agent warrants that it will have good title to all natural gas delivered to the Company hereunder, and that such gas will be free and clear of all liens, encumbrances, and claims whatsoever, and that it will indemnify the Company, and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of a breach of such warranty.

ARTICLE XI

Limitation of Third Party Rights

This Agreement is entered into solely for the benefit of the Company and the Marketer and is not intended and should not be deemed to vest any rights, privileges or interests of any kind or nature to any third party, including, but not limited to the aggregations pools that Agent establishes under this Agreement.

ARTICLE XII

Succession and Assignment

This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the respective parties hereto. However, no assignment of this Agreement, in whole or in part, will be made without prior written approval of the non-assignee party. The written consent to assignment shall not be unreasonably withheld.

ARTICLE XIII

Applicable Law and Regulations

This Agreement shall be construed under the laws of the Commonwealth of Kentucky and shall be subject to all valid applicable State, Federal and local laws, rules, orders, and regulations. Nothing herein shall be construed as divesting or attempting to divest any regulatory body of any of its rights, jurisdiction, powers or authority conferred by law. In the event that any regulatory agency, including but not limited to the Kentucky Public Service Commission, does not approve, as filed or in a manner acceptable to Company, the transportation rate schedules SVGTS and SVAS, to which this Agreement relates, then this Agreement for Small Volume Aggregation Service associated with the Columbia Gas of Kentucky small volume gas transportation program shall be null and void and shall have no effect.

ARTICLE XIV

Notices and Correspondence

Written notice and correspondence to the Company shall be addressed as follows:

Columbia Gas of Kentucky, Inc.
2001 Mercer Road
P.O. Box 14241
Lexington, Kentucky 40512-4241

Attention: Gas Transportation Services

Telephone notices and correspondence to the Company shall be directed to (606) 288-0257.

Fax notices to the Company shall be directed to (606) 288-0258.

Written notices and correspondence to the Agent shall be addressed as follows:

____

____

____

____

____

Telephone notices to the Agent shall be directed to (__) ________________________. Fax notices to the Agent shall be directed to (___) __________________________.

Either party may change its address for receiving notices effective upon receipt, by written notice to the other party.

IN WITNESS WHEREOF, the parties hereto executed this Agreement on the day and year first above written.

ATTEST: COLUMBIA GAS OF KENTUCKY, INC.

____________________________ BY____

ATTEST:

AGENT

____________________________ BY ____

2) GCR Demand with Choice – Contracts Expire on Schedule

Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01
28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991
41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566
190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880
9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942
190,880	190,880	190,880	190,880	190,880	95,440	95,440	95,440	95,440	95,440	95,440
5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506

Oct-01	Nov-01	Dec-01	Jan-02	Feb-02	Mar-02	Mar-02	Apr-02	May-02	Jun-02	Jul-02
28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991
41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566
190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880
9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942
190,880	190,880	190,880	190,880	190,880	190,880	95,440	95,440	95,440	95,440	95,440
5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506

Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Jan-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03
28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991
41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566
190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880
9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942
95,440	190,880	190,880	190,880	190,880	190,880	190,880	95,440	95,440	95,440	95,440
5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506

Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04
28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991
41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566
190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880
9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942
95,440	95,440	190,880	190,880	190,880	190,880	190,880	190,880	95,440	95,440	95,440
5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506

Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05
28,991	28,991	28,991	28,991			
41,566	41,566	41,566	41,566			
190,880	190,880	190,880	190,880			
9,557,942	9,557,942	9,557,942	9,557,942			
95,440	95,440	95,440	190,880			
5,000	5,000	5,000	5,000			
1,000	1,000	1,000	1,000			
20,506	20,506	20,506	20,506			

COLUMBIA GAS OF KENTUCKY, INC.
FIRM TRANSPORTATION, STORAGE AND LNG AGREEMENTS
MONTHLY DEMAND RATES - CONTRACTS EXPIRING INCLUDED

	Rate	Demand Rates									
Pipeline	Schedule	Jan-99	Feb-99	Mar-99	Apr-99	May-99	Jun-99	Jul-99	Aug-99	Sep-99	Oct-99
Col Gulf	FTS-1	3.145	3.145	3.145	3.145	3.145	3.145	3.145	3.145	3.145	3.145
TCO	FTS	6.723	6.615	6.615	6.615	6.615	6.615	6.615	6.615	6.615	6.615
	FSS-MDSQ	1.512	1.512	1.512	1.512	1.512	1.512	1.512	1.512	1.512	1.512
	FSS-SCQ	0.029	0.029	0.029	0.029	0.029	0.029	0.029	0.029	0.029	0.029
	SST	6.293	6.185	6.185	6.185	6.185	6.185	6.185	6.185	6.185	6.185
Cove Point	FPS-2 Daily	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883
Tennessee	FT-A	8.451	8.451	8.451	8.451	8.451	8.451	8.451	8.451	8.451	8.451
	FT-A	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63

Nov-99	Dec-99	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00	Jul-00	Aug-00	Sep-00	Oct-00
3.145	3.145	3.145	3.145	3.145	3.145	3.145	3.145	3.145	3.145	3.145	3.145
6.615	6.615	6.615	7.344	7.344	7.344	7.344	7.344	7.344	7.344	7.344	7.344
1.512	1.512	1.512	1.6934	1.6934	1.6934	1.6934	1.6934	1.6934	1.6934	1.6934	1.6934
0.029	0.029	0.029	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325
6.185	6.185	6.185	6.894	6.894	6.894	6.894	6.894	6.894	6.894	6.894	6.894
3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.38[illegible]
8.311	8.311	8.311	8.311	8.311	8.311	8.311	8.311	8.311	8.311	8.311	8.311
5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63

Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01
3.3023	3.3023	3.3023	3.3023	3.3023	3.3023	3.3023	3.3023	3.3023	3.3023	3.3023
7.344	7.344	7.344	7.344	7.344	7.344	7.344	7.344	7.344	7.344	7.344
1.6934	1.6934	1.6934	1.6934	1.6934	1.6934	1.6934	1.6934	1.6934	1.6934	1.6934
0.0325	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325
6.894	6.894	6.894	6.894	6.894	6.894	6.894	6.894	6.894	6.894	6.894
3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883
8.199	8.199	8.199	8.199	8.199	8.199	8.199	8.199	8.199	8.199	8.199
5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63

Oct-01	Nov-01	Dec-01	Jan-02	Feb-02	Mar-02	Mar-02	Apr-02	May-02	Jun-02	Jul-02
3.3023	3.3816	3.3816	3.3816	3.3816	3.3816	3.3816	3.3816	3.3816	3.3816	3.3816
7.344	7.507	7.507	7.507	7.507	7.507	7.507	7.507	7.507	7.507	7.507
1.6934	1.734	1.734	1.734	1.734	1.734	1.734	1.734	1.734	1.734	1.734
0.0325	0.0333	0.0333	0.0333	0.0333	0.0333	0.0333	0.0333	0.0333	0.0333	0.0333
6.894	7.053	7.053	7.053	7.053	7.053	7.053	7.053	7.053	7.053	7.053
3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883
8.199	8.387	8.387	8.387	8.387	8.387	8.387	8.387	8.387	8.387	8.387
5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63

Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Jan-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03
3.3816	3.3816	3.4661	3.4661	3.4661	3.4661	3.4661	3.4661	3.4661	3.4661	3.4661
7.507	7.507	7.681	7.681	7.681	7.681	7.681	7.681	7.681	7.681	7.681
1.734	1.734	1.7774	1.7774	1.7774	1.7774	1.7774	1.7774	1.7774	1.7774	1.7774
0.0333	0.0333	0.0341	0.0341	0.0341	0.0341	0.0341	0.0341	0.0341	0.0341	0.0341
7.053	7.053	7.222	7.222	7.222	7.222	7.222	7.222	7.222	7.222	7.222
3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883
8.387	8.387	8.588	8.588	8.588	8.588	8.588	8.588	8.588	8.588	8.588
5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63

Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04
3.4661	3.4661	3.4661	3.5597	3.5597	3.5597	3.5597	3.5597	3.5597	3.5597	3.5597
7.681	7.681	7.681	7.874	7.874	7.874	7.874	7.874	7.874	7.874	7.874
1.7774	1.7774	1.7774	1.8254	1.8254	1.8254	1.8254	1.8254	1.8254	1.8254	1.8254
0.0341	0.0341	0.0341	0.035	0.035	0.035	0.035	0.035	0.035	0.035	0.035
7.222	7.222	7.222	7.409	7.409	7.409	7.409	7.409	7.409	7.409	7.409
3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883
8.588	8.588	8.588	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7
5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63

Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05
3.5597	3.5597	3.5597	3.5597	3.6487	3.6487	3.6487
7.874	7.874	7.874	7.874	8.057	8.057	8.057
1.8254	1.8254	1.8254	1.8254	1.871	1.871	1.871
0.035	0.035	0.035	0.035	0.0359	0.0359	0.0359
7.409	7.409	7.409	7.409	7.587	7.587	7.587
3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883
8.7	8.7	8.7	8.7	8.91	8.91	8.91
5.63	5.63	5.63	5.63	5.63	5.63	5.63

COLUMBIA GAS OF KENTUCKY, INC.
FIRM TRANSPORTATION, STORAGE AND LNG AGREEMENTS
MONTHLY DEMAND COSTS CONTRACTS EXPIRING INCLUDED

Pipeline	Rate Schedule	Demand Rates Jan-99	Feb-99	Mar-99	Apr-99	May-99	Jun-99	Jul-99	Aug-99	Sep-99	Oct-99
Col Gulf	FTS-1	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177
TCO	FTS	$ 279,448	$ 274,959	$ 274,959	$ 274,959	$ 274,959	$ 274,959	$ 274,959	$ 274,959	$ 274,959	$ 274,959
	FSS-MDSQ	$ 288,611	$ 288,611	$ 288,611	$ 288,611	$ 288,611	$ 288,611	$ 288,611	$ 288,611	$ 288,611	$ 288,611
	FSS-SCQ	$ 277,180	$ 277,180	$ 277,180	$ 277,180	$ 277,180	$ 277,180	$ 277,180	$ 277,180	$ 277,180	$ 277,180
	SST	$ 1,201,208	$ 1,180,593	$ 1,180,593	$ 590,296	$ 590,296	$ 590,296	$ 590,296	$ 590,296	$ 590,296	$ 1,180,593
Cove Point	FPS-1 Daily	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942
Tennessee	FT-A	$ 8,451	$ 8,451	$ 8,451	$ 8,451	$ 8,451	$ 8,451	$ 8,451	$ 8,451	$ 8,451	$ 8,451
	FT-A	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449

Nov-99	Dec-99	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00	Jul-00	Aug-00	Sep-00	Oct-00
$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177
$ 274,959	$ 274,959	$ 274,959	$ 305,261	$ 305,261	$ 305,261	$ 305,261	$ 305,261	$ 305,261	$ 305,261	$ 305,261	$ 305,261
$ 288,611	$ 288,611	$ 288,611	$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236
$ 277,180	$ 277,180	$ 277,180	$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633
$1,180,593	$ 1,180,593	$ 1,180,593	$ 1,315,927	$ 1,315,927	$ 657,963	$ 657,963	$ 657,963	$ 657,963	$ 657,963	$ 657,963	$ 1,315,927
$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,94[illegible]
$ 8,311	$ 8,311	$ 8,311	$ 8,311	$ 8,311	$ 8,311	$ 8,311	$ 8,311	$ 8,311	$ 8,311	$ 8,311	$ 8,311
$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449

Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01
$ 95,737	$ 95,737	$ 95,737	$ 95,737	$ 95,737	$ 95,737	$ 95,737	$ 95,737	$ 95,737	$ 95,737	$ 95,737
$ 305,261	$ 305,261	$ 305,261	$ 305,261	$ 305,261	$ 305,261	$ 305,261	$ 305,261	$ 305,261	$ 305,261	$ 305,261
$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236
$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633
$ 1,315,927	$ 1,315,927	$ 1,315,927	$ 1,315,927	$ 1,315,927	$ 657,963	$ 657,963	$ 657,963	$ 657,963	$ 657,963	$ 657,963
$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942
$ 8,199	$ 8,199	$ 8,199	$ 8,199	$ 8,199	$ 8,199	$ 8,199	$ 8,199	$ 8,199	$ 8,199	$ 8,199
$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449

Oct-01	Nov-01	Dec-01	Jan-02	Feb-02	Mar-02	Mar-02	Apr-02	May-02	Jun-02	Jul-02
$ 95,737	$ 98,036	$ 98,036	$ 98,036	$ 98,036	$ 98,036	$ 98,036	$ 98,036	$ 98,036	$ 98,036	$ 98,036
$ 305,261	$ 312,036	$ 312,036	$ 312,036	$ 312,036	$ 312,036	$ 312,036	$ 312,036	$ 312,036	$ 312,036	$ 312,036
$ 323,236	$ 330,986	$ 330,986	$ 330,986	$ 330,986	$ 330,986	$ 330,986	$ 330,986	$ 330,986	$ 330,986	$ 330,986
$ 310,633	$ 318,279	$ 318,279	$ 318,279	$ 318,279	$ 318,279	$ 318,279	$ 318,279	$ 318,279	$ 318,279	$ 318,279
$ 1,315,927	$ 1,346,277	$ 1,346,277	$ 1,346,277	$ 1,346,277	$ 1,346,277	$ 673,138	$ 673,138	$ 673,138	$ 673,138	$ 673,138
$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942
$ 8,199	$ 8,387	$ 8,387	$ 8,387	$ 8,387	$ 8,387	$ 8,387	$ 8,387	$ 8,387	$ 8,387	$ 8,387
$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449

Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Jan-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03
$ 98,036	$ 98,036	$ 100,486	$ 100,486	$ 100,486	$ 100,486	$ 100,486	$ 100,486	$ 100,486	$ 100,486	$ 100,486
$ 312,036	$ 312,036	$ 319,268	$ 319,268	$ 319,268	$ 319,268	$ 319,268	$ 319,268	$ 319,268	$ 319,268	$ 319,268
$ 330,986	$ 330,986	$ 339,270	$ 339,270	$ 339,270	$ 339,270	$ 339,270	$ 339,270	$ 339,270	$ 339,270	$ 339,270
$ 318,279	$ 318,279	$ 325,926	$ 325,926	$ 325,926	$ 325,926	$ 325,926	$ 325,926	$ 325,926	$ 325,926	$ 325,926
$ 673,138	$ 1,346,277	$ 1,378,535	$ 1,378,535	$ 1,378,535	$ 1,378,535	$ 1,378,535	$ 689,268	$ 689,268	$ 689,268	$ 689,268
$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942
$ 8,387	$ 8,387	$ 8,588	$ 8,588	$ 8,588	$ 8,588	$ 8,588	$ 8,588	$ 8,588	$ 8,588	$ 8,588
$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449

Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04
$ 100,486	$ 100,486	$ 100,486	$ 103,199	$ 103,199	$ 103,199	$ 103,199	$ 103,199	$ 103,199	$ 103,199	$ 103,199
$ 319,268	$ 319,268	$ 319,268	$ 327,291	$ 327,291	$ 327,291	$ 327,291	$ 327,291	$ 327,291	$ 327,291	$ 327,291
$ 339,270	$ 339,270	$ 339,270	$ 348,432	$ 348,432	$ 348,432	$ 348,432	$ 348,432	$ 348,432	$ 348,432	$ 348,432
$ 325,926	$ 325,926	$ 325,926	$ 334,528	$ 334,528	$ 334,528	$ 334,528	$ 334,528	$ 334,528	$ 334,528	$ 334,528
$ 689,268	$ 689,268	$ 1,378,535	$ 1,414,230	$ 1,414,230	$ 1,414,230	$ 1,414,230	$ 1,414,230	$ 707,115	$ 707,115	$ 707,115
$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942
$ 8,588	$ 8,588	$ 8,588	$ 8,700	$ 8,700	$ 8,700	$ 8,700	$ 8,700	$ 8,700	$ 8,700	$ 8,700
$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449

Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05
$ 103,199	$ 103,199	$ 103,199	$ 103,199	$ -	$ -	$ -
$ 327,291	$ 327,291	$ 327,291	$ 327,291	$ -	$ -	$ -
$ 348,432	$ 348,432	$ 348,432	$ 348,432	$ -	$ -	$ -
$ 334,528	$ 334,528	$ 334,528	$ 334,528	$ -	$ -	$ -
$ 707,115	$ 707,115	$ 707,115	$ 1,414,230	$ -	$ -	$ -
$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ -	$ -	$ -
$ 8,700	$ 8,700	$ 8,700	$ 8,700	$ -	$ -	$ -
$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ -	$ -	$ -

COLUMBIA GAS OF KENTUCKY, INC.
FIRM TRANSPORTATION, STORAGE AND LNG AGREEMENTS
ANNUAL DEMAND COSTS - CONTRACTS EXPIRING INCLUDED

		Rate	Calendar Year A/						
Pipeline	Schedule	1999	2000	2001	2002	2003	2004	Total	Check
Col Gulf	FTS-1	$ 1,094,120	$ 1,103,241	$ 1,153,442	$ 1,181,331	$ 1,211,256	$ 1,031,993	$ 6,775,382	$ -
TCO	FTS	$ 3,303,998	$ 3,632,827	$ 3,676,679	$ 3,758,897	$ 3,847,266	$ 3,272,907	$ 21,492,573	$ -
	FSS-MDSQ	$ 3,463,327	$ 3,844,209	$ 3,894,334	$ 3,988,399	$ 4,089,566	$ 3,484,324	$ 22,764,158	$ -
	FSS-SCQ	$ 3,326,164	$ 3,694,145	$ 3,742,890	$ 3,834,646	$ 3,928,314	$ 3,345,280	$ 21,871,439	$ -
	SST	$ 10,645,950	$ 11,708,007	$ 11,904,040	$ 12,181,007	$ 12,478,207	$ 9,899,609	$ 68,816,821	$ -
Cove Point	FPS-1 Daily	$ 203,298	$ 203,298	$ 203,298	$ 203,298	$ 203,298	$ 169,415	$ 1,185,905	$ -
Tennessee	FT-A	$ 101,132	$ 99,508	$ 98,764	$ 101,046	$ 103,280	$ 87,000	$ 590,730	$ -
	FT-A	$ 1,385,385	$ 1,385,385	$ 1,385,385	$ 1,385,385	$ 1,385,385	$ 1,154,488	$ 8,081,415	$ -
	TOTAL	$ 23,523,375	$ 25,670,619	$ 26,058,832	$ 26,634,010	$ 27,246,572	$ 22,445,015	$ 151,578,423	
	Sales + Choice	17,974,000 Mcf	18,125,000	18,127,000	18,240,000	18,360,000	14,385,000		
GCR Demand w/o choice		$ 1.3087	$ 1.4163	$ 1.4376	$ 1.4602	$ 1.4840	$ 1.5603		

A/ 2004 only reflects 10 months of costs
Cove Point expires April 15, 2001.
Tennessee Mavity contract expires 10/31/2000.
Tennessee Broad Run contract is not included since it is assumed that the contract will be extended.

Columbia Gas of Kentucky, Inc.
Capacity and Cost for Daily Balancing

Units		
	1. Uncertainty of Daily System Firm Demand, based on temperature forecast from prior day	
11,097 Dth/day	1a. One standard deviation.	
2.128	1b. Deviations required for probability 29 days / 30	
23,614 Dth/day	1c. Uncertainty	1a * 1b
	2. TCO FSS Tariff	
10	2a. Ratio: SCQ/December monthly injection limit	
30	2b. Ratio of Dec injection limits: monthly / daily	
50.07 days	2c. Ratio in CKY contracts: SCQ/MDSQ	
	3. Capacity required for balancing	
23,614 Dth/day	3a. SST	= 1c
7,084,161 Dth	3b. FSS SCQ	3a * 2a * 2b
141,477 Dth/day	3c. FSS MDSQ	3b / 2c
	4. Monthly unit demand costs in effect April 1999	
$6.225 per Dth	SST	
$0.029 per Dth	SCQ	
$1.512 per Dth	MDSQ	
	5. Annual unit demand costs	= 4 * # months
$56.03 per Dth	SST: 9 months	
$0.35 per Dth	SCQ: 12 months	
$18.14 per Dth	MDSQ: 12 months	
	6. Ann. cost for CKY to provide bal	= 3 * 5
$1,322,967	SST	
$2,465,288	SCQ	
$2,566,950	MDSQ	
$6,355,205	Total	
	7. CKY annual billed volume for calendar year 2000	
18,125,000 MCF	Total sales plus choice	
	8. Unit cost	
$0.35 per MCF	8a. Cost per MCF	(total 6) / 7
1.06 Dth/MCF	8b. Heat content	
$0.33 per Dth	8c. Cost per Dth	8a / 8b

Note: Values shown may not agree precisely with the formulas because of rounding.

4) Minimum Assignment of Storage Capacity

Columbia Gas of Kentucky, Inc.
Choice Program: Capacity Offered, Minimum Assignment of Storage

Service	Exp Date	Contract Capacity Upstream Dth/day	Contract Capacity City Gate Dth/day	FSS & FT Capacity Dth/day	FSS & FT Capacity Mix	Portion of FSS Contract	Example: Capacity Offered for a cust group with peak day demand = 1000 Dth/d
TCO FSS	10/31/04		190,880	190,880	82.1%	100.0%	821.0
Min Assg for Bal							
Prob = 29 days/30				115,458	49.7%	60.5%	497.0
TCO FTS	10/31/04		21,552	21,552			
TCO FTS	3/31/00		20,014	20,014			
Subtotal: FTS			41,566	41,566	17.9%		179.0
Tenn Mavity	11/1/00		1,000				
CNR Note 1	--		7,100				
Cove Point 5 day	4/15/01		5,000				
Total			245,546	232,446	100.0%		1,000.0
Upstream							
Tenn Broad Run	10/31/02	20,506	20,072				
Gulf FTS-1	10/31/04	28,991	28,378				
TCO retention, adjusted annually		2.116%					

Note 1. CNR has commodity-based rates. CKY pays no demand charge to CNR.

Note 2. The FSS and FT capacity allocation to marketers excludes Tenn-Mavity, CNR, and Cove Point capacities.

ATTACHMENT E

TARIFFS TO IMPLEMENT A CONTINUATION OF THE GAS COST INCENTIVE RATE MECHANISMS TO BE EFFECTIVE AUGUST 1, 1999

1) **Proposed Tariffs**

2) **Marked – Up Current Tariffs**

E - Proposed Tariffs
effective 8/1/99

GAS COST ADJUSTMENT CLAUSE
APPLICABLE TO ALL RATE SCHEDULES
(Continued)

GAS COST ADJUSTMENT CLAUSE - (Continued)

Delivery Service

FERC approved direct billed pipeline supplier charges relating to the buyout of Take-or-Pay liabilities will be billed to Delivery Service Fixed Rate Volumes.

Banking and Balancing Service

This rate is based on the percentage of the portion of storage capacity allocated to Delivery Service Customers to Company's total annual storage capacity, applied to:

(1) Columbia Transmission's FSS seasonal capacity charge, annualized,

(2) Columbia Transmission's SST commodity charge, and

(3) Columbia Transmission's FSS injection and withdrawal charges

as calculated in the Gas Cost Adjustment.

Capacity Release Revenues:

Capacity release revenues generated by Administrative Releases will be credited 100% to gas cost.

Capacity Release Revenues, other than those revenues generated by Administrative Releases, will be reflected as follows: T

(1) Columbia will not share in capacity release revenues until the benchmark is reached. The initial benchmark of $461,574 will be used for the period August 1, 1996 through July 31, 1997. Coincident with subsequent annual actual cost adjustment filings, the benchmark will be recalculated based on an annualized simple monthly average using actual data for the thirty-six months ending June 30th of the year in which the ACA filing is made.

(2) Columbia will retain 100% of capacity release revenues above the benchmark until the benchmark is 65% of the total at which point Columbia will retain 35% of revenues.

(3) The customer portion of the capacity release program will be credited to customers through the appropriate ACA calculation.

COLUMBIA GAS OF KENTUCKY, INC.

GAS COST ADJUSTMENT CLAUSE
APPLICABLE TO ALL RATE SCHEDULES
(Continued)

GAS COST ADJUSTMENT CLAUSE - (Continued)

Off-System Sales Revenue:

Sixty-five percent (65%) of all revenues received under the off-system sales and exchange program (other than those revenues generated by operational sales), net of costs, will be credited to customers through the appropriate ACA calculation. T

All revenue generated by operational sales will be credited 100% to gas cost.

Prior to making any off-system sale, Columbia will consider the impact of such sale upon its system gas supply, and will also evaluate the benefits that will accrue to sales customers as a result of the off-system sale.

Interim Gas Cost Adjustments

Should any significant change in supplier rates occur, Company may apply to the Commission for an Interim Gas Cost Adjustment Clause in addition to the regular quarterly Gas Cost Adjustment Clause filings.

2) Marked – Up Current Tariffs

COLUMBIA GAS OF KENTUCKY, INC.

GAS COST ADJUSTMENT CLAUSE
APPLICABLE TO ALL RATE SCHEDULES
(Continued)

GAS COST ADJUSTMENT CLAUSE - (Continued)

Delivery Service

FERC approved direct billed pipeline supplier charges relating to the buyout of Take-or-Pay liabilities will be billed to Delivery Service Fixed Rate Volumes.

Banking and Balancing Service

This rate is based on the percentage of the portion of storage capacity allocated to Delivery Service Customers to Company's total annual storage capacity, applied to:

(1) Columbia Transmission's FSS seasonal capacity charge, annualized,

(2) Columbia Transmission's SST commodity charge, and

(3) Columbia Transmission's FSS injection and withdrawal charges

as calculated in the Gas Cost Adjustment.

Capacity Release Revenues:

Capacity release revenues generated by Administrative Releases will be credited 100% to gas cost.

Capacity Release Revenues, other than those revenues generated by Administrative Releases, ~~during the period August 1, 1999 until this application is approved 1998 through July 31, 1999,~~ will be reflected as follows:

(1) Columbia will not share in capacity release revenues until the benchmark is reached. The initial benchmark of $461,574 will be used for the period August 1, 1996 through July 31, 1997. Coincident with subsequent annual actual cost adjustment filings, the benchmark will be recalculated based on an annualized simple monthly average using actual data for the thirty-six months ending June 30th of the year in which the ACA filing is made.

(2) Columbia will retain 100% of capacity release revenues above the benchmark until the benchmark is 65% of the total at which point Columbia will retain 35% of revenues.

(3) The customer portion of the capacity release program will be credited to customers through the appropriate ACA calculation.

Indicates revision

DATE OF ISSUE: April 22, 1999 **DATE EFFECTIVE:** August 1, 1999

Issued by: Joseph W. Kelly Vice President and Chief Operating Officer

Issued by authority of an Order of the Public Service Commission in Case No. 96-079, dated July 27, 1998.

Third ~~Second~~ Revised Sheet No. 50a
Superseding
Second ~~First~~ Revised Sheet No. 50a
P.S.C. Ky. No. 5

COLUMBIA GAS OF KENTUCKY, INC.

GAS COST ADJUSTMENT CLAUSE
APPLICABLE TO ALL RATE SCHEDULES
(Continued)

GAS COST ADJUSTMENT CLAUSE - (Continued)

Off-System Sales Revenue:

Sixty-five percent (65%) of all revenues received under the off-system sales and exchange program (other than those revenues generated by operational sales), net of costs, ~~during the period August 1999 until this application is approved 1998 through July 1999~~, will be credited to customers through the appropriate ACA calculation.

All revenue generated by operational sales will be credited 100% to gas cost.

Prior to making any off-system sale, Columbia will consider the impact of such sale upon its system gas supply, and will also evaluate the benefits that will accrue to sales customers as a result of the off-system sale.

Interim Gas Cost Adjustments

Should any significant change in supplier rates occur, Company may apply to the Commission for an Interim Gas Cost Adjustment Clause in addition to the regular quarterly Gas Cost Adjustment Clause filings.

Indicates Revision

DATE OF ISSUE: April 22, 1999 **DATE EFFECTIVE:** August 1, 1999

Issued by: Joseph W. Kelly Vice President and Chief Operating Officer

Issued by authority of an Order of the Public Service Commission in Case No. 96-079, dated July 27, 1998.

F - Aggregation Agreement

ATTACHMENT F

FORM OF AGGREGATION AGREEMENT

COLUMBIA GAS OF KENTUCKY, INC.
FIRM TRANSPORTATION, STORAGE AND LNG AGREEMENTS
MONTHLY CONTRACT VOLUMES - CONTRACTS EXPIRE ON SCHEDULE

	Rate	Contract Volume									
Pipeline	Schedule	Jan-99	Feb-99	Mar-99	Apr-99	May-99	Jun-99	Jul-99	Aug-99	Sep-99	Oct-99
Col Gulf	FTS-1	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991
TCO	FTS	41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566	41,566
	FSS-MDSQ	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880
	FSS-SCQ	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942
	SST	190,880	190,880	190,880	95,440	95,440	95,440	95,440	95,440	95,440	190,880
Cove Point	FPS-2 Daily	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Tennessee	FT-A	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	FT-A	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506

Nov-99	Dec-99	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00	Jul-00	Aug-00	Sep-00
28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991
41,566	41,566	41,566	41,566	41,566	21,552	21,552	21,552	21,552	21,552	21,552
190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880
9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942
190,880	190,880	190,880	190,880	190,880	95,440	95,440	95,440	95,440	95,440	95,440
5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506

Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01
28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991
21,552	21,552	21,552	21,552	21,552	21,552	21,552	21,552	21,552	21,552	21,552
190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880
9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942
190,880	190,880	190,880	190,880	190,880	190,880	95,440	95,440	95,440	95,440	95,440
5,000	5,000	5,000	5,000	5,000	5,000	2,500				
1,000										
20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506

Sep-01	Oct-01	Nov-01	Dec-01	Jan-02	Feb-02	Mar-02	Mar-02	Apr-02	May-02	Jun-02
28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991
21,552	21,552	21,552	21,552	21,552	21,552	21,552	21,552	21,552	21,552	21,552
190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880
9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942
95,440	190,880	190,880	190,880	190,880	190,880	190,880	95,440	95,440	95,440	95,440
20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506

Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Jan-03	Mar-03	Apr-03	May-03	Jun-03
28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991
21,552	21,552	21,552	21,552	21,552	21,552	21,552	21,552	21,552	21,552	21,552
190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880
9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942
95,440	95,440	190,880	190,880	190,880	190,880	190,880	190,880	95,440	95,440	95,440
20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506

Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04
28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991	28,991
21,552	21,552	21,552	21,552	21,552	21,552	21,552	21,552	21,552	21,552	21,552
190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880	190,880
9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942	9,557,942
95,440	95,440	95,440	190,880	190,880	190,880	190,880	190,880	190,880	95,440	95,440
20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506	20,506

Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05
28,991	28,991	28,991	28,991	28,991			
21,552	21,552	21,552	21,552	21,552			
190,880	190,880	190,880	190,880	190,880			
9,557,942	9,557,942	9,557,942	9,557,942	9,557,942			
95,440	95,440	95,440	95,440	190,880			
20,506	20,506	20,506	20,506	20,506			

COLUMBIA GAS OF KENTUCKY, INC.
FIRM TRANSPORTATION, STORAGE AND LNG AGREEMENTS
MONTHLY DEMAND RATES - CONTRACTS EXPIRE ON SCHEDULE

Pipeline	Rate Schedule	Demand Rates Jan-99	Feb-99	Mar-99	Apr-99	May-99	Jun-99	Jul-99	Aug-99	Sep-99	Oct-99
Col Gulf	FTS-1	3.145	3.145	3.145	3.145	3.145	3.145	3.145	3.145	3.145	3.145
TCO	FTS	6.723	6.615	6.615	6.615	6.615	6.615	6.615	6.615	6.615	6.615
	FSS-MDSQ	1.512	1.512	1.512	1.512	1.512	1.512	1.512	1.512	1.512	1.512
	FSS-SCQ	0.029	0.029	0.029	0.029	0.029	0.029	0.029	0.029	0.029	0.029
	SST	6.293	6.185	6.185	6.185	6.185	6.185	6.185	6.185	6.185	6.185
Cove Point	FPS-2 Daily	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.388[illegible]
Tennessee	FT-A	8.451	8.451	8.451	8.451	8.451	8.451	8.451	8.451	8.451	8.451
	FT-A	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63

Nov-99	Dec-99	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00	Jul-00	Aug-00	Sep-00
3.145	3.145	3.145	3.145	3.145	3.145	3.145	3.145	3.145	3.145	3.145
6.615	6.615	6.615	7.344	7.344	7.344	7.344	7.344	7.344	7.344	7.344
1.512	1.512	1.512	1.6934	1.6934	1.6934	1.6934	1.6934	1.6934	1.6934	1.6934
0.029	0.029	0.029	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325
6.185	6.185	6.185	6.894	6.894	6.894	6.894	6.894	6.894	6.894	6.894
3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883
8.311	8.311	8.311	8.311	8.311	8.311	8.311	8.311	8.311	8.311	8.311
5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63

Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01
3.145	3.3023	3.3023	3.3023	3.3023	3.3023	3.3023	3.3023	3.3023	3.3023	3.3023
7.344	7.344	7.344	7.344	7.344	7.344	7.344	7.344	7.344	7.344	7.344
1.6934	1.6934	1.6934	1.6934	1.6934	1.6934	1.6934	1.6934	1.6934	1.6934	1.6934
0.0325	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325	0.0325
6.894	6.894	6.894	6.894	6.894	6.894	6.894	6.894	6.894	6.894	6.894
3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883
8.311	8.199	8.199	8.199	8.199	8.199	8.199	8.199	8.199	8.199	8.199
5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63

Sep-01	Oct-01	Nov-01	Dec-01	Jan-02	Feb-02	Mar-02	Mar-02	Apr-02	May-02	Jun-02
3.3023	3.3023	3.3816	3.3816	3.3816	3.3816	3.3816	3.3816	3.3816	3.3816	3.3816
7.344	7.344	7.507	7.507	7.507	7.507	7.507	7.507	7.507	7.507	7.507
1.6934	1.6934	1.734	1.734	1.734	1.734	1.734	1.734	1.734	1.734	1.734
0.0325	0.0325	0.0333	0.0333	0.0333	0.0333	0.0333	0.0333	0.0333	0.0333	0.0333
6.894	6.894	7.053	7.053	7.053	7.053	7.053	7.053	7.053	7.053	7.053
3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883
8.199	8.199	8.387	8.387	8.387	8.387	8.387	8.387	8.387	8.387	8.387
5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63

Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Jan-03	Mar-03	Apr-03	May-03	Jun-03
3.3816	3.3816	3.3816	3.4661	3.4661	3.4661	3.4661	3.4661	3.4661	3.4661	3.4661
7.507	7.507	7.507	7.681	7.681	7.681	7.681	7.681	7.681	7.681	7.681
1.734	1.734	1.734	1.7774	1.7774	1.7774	1.7774	1.7774	1.7774	1.7774	1.7774
0.0333	0.0333	0.0333	0.0341	0.0341	0.0341	0.0341	0.0341	0.0341	0.0341	0.0341
7.053	7.053	7.053	7.222	7.222	7.222	7.222	7.222	7.222	7.222	7.222
3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883
8.387	8.387	8.387	8.588	8.588	8.588	8.588	8.588	8.588	8.588	8.588
5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63

Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04
3.4661	3.4661	3.4661	3.4661	3.5597	3.5597	3.5597	3.5597	3.5597	3.5597	3.5597
7.681	7.681	7.681	7.681	7.874	7.874	7.874	7.874	7.874	7.874	7.874
1.7774	1.7774	1.7774	1.7774	1.8254	1.8254	1.8254	1.8254	1.8254	1.8254	1.8254
0.0341	0.0341	0.0341	0.0341	0.035	0.035	0.035	0.035	0.035	0.035	0.035
7.222	7.222	7.222	7.222	7.409	7.409	7.409	7.409	7.409	7.409	7.409
3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883
8.588	8.588	8.588	8.588	8.7	8.7	8.7	8.7	8.7	8.7	8.7
5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63

Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05
3.5597	3.5597	3.5597	3.5597	3.5597	3.6487	3.6487	3.6487
7.874	7.874	7.874	7.874	7.874	8.057	8.057	8.057
1.8254	1.8254	1.8254	1.8254	1.8254	1.871	1.871	1.871
0.035	0.035	0.035	0.035	0.035	0.0359	0.0359	0.0359
7.409	7.409	7.409	7.409	7.409	7.587	7.587	7.587
3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883	3.3883
8.7	8.7	8.7	8.7	8.7	8.91	8.91	8.91
5.63	5.63	5.63	5.63	5.63	5.63	5.63	5.63

COLUMBIA GAS OF KENTUCKY, INC.
FIRM TRANSPORTATION, STORAGE AND LNG AGREEMENTS
MONTHLY DEMAND COSTS - CONTRACTS EXPIRE ON SCHEDULE

Pipeline	Rate Schedule	Demand Rates Jan-99	Feb-99	Mar-99	Apr-99	May-99	Jun-99	Jul-99	Aug-99	Sep-99	Oct-99
Col Gulf	FTS-1	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177
TCO	FTS	$ 279,448	$ 274,959	$ 274,959	$ 274,959	$ 274,959	$ 274,959	$ 274,959	$ 274,959	$ 274,959	$ 274,959
	FSS-MDSQ	$ 288,611	$ 288,611	$ 288,611	$ 288,611	$ 288,611	$ 288,611	$ 288,611	$ 288,611	$ 288,611	$ 288,611
	FSS-SCQ	$ 277,180	$ 277,180	$ 277,180	$ 277,180	$ 277,180	$ 277,180	$ 277,180	$ 277,180	$ 277,180	$ 277,180
	SST	$ 1,201,208	$ 1,180,593	$ 1,180,593	$ 590,296	$ 590,296	$ 590,296	$ 590,296	$ 590,296	$ 590,296	$ 1,180,593
Cove Point	FPS-1 Daily	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,94[illegible]
Tennessee	FT-A	$ 8,451	$ 8,451	$ 8,451	$ 8,451	$ 8,451	$ 8,451	$ 8,451	$ 8,451	$ 8,451	$ 8,451
	FT-A	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449

Nov-99	Dec-99	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00	Jul-00	Aug-00	Sep-00
$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177	$ 91,177
$ 274,959	$ 274,959	$ 274,959	$ 305,261	$ 305,261	$ 158,278	$ 158,278	$ 158,278	$ 158,278	$ 158,278	$ 158,278
$ 288,611	$ 288,611	$ 288,611	$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236
$ 277,180	$ 277,180	$ 277,180	$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633
$ 1,180,593	$ 1,180,593	$ 1,180,593	$ 1,315,927	$ 1,315,927	$ 657,963	$ 657,963	$ 657,963	$ 657,963	$ 657,963	$ 657,963
$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942
$ 8,311	$ 8,311	$ 8,311	$ 8,311	$ 8,311	$ 8,311	$ 8,311	$ 8,311	$ 8,311	$ 8,311	$ 8,311
$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449

Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01
$ 91,177	$ 95,737	$ 95,737	$ 95,737	$ 95,737	$ 95,737	$ 95,737	$ 95,737	$ 95,737	$ 95,737	$ 95,737
$ 158,278	$ 158,278	$ 158,278	$ 158,278	$ 158,278	$ 158,278	$ 158,278	$ 158,278	$ 158,278	$ 158,278	$ 158,278
$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236	$ 323,236
$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633	$ 310,633
$ 1,315,927	$ 1,315,927	$ 1,315,927	$ 1,315,927	$ 1,315,927	$ 1,315,927	$ 657,963	$ 657,963	$ 657,963	$ 657,963	$ 657,963
$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 16,942	$ 8,471	$ -	$ -	$ -	$ -
$ 8,311	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449

Sep-01	Oct-01	Nov-01	Dec-01	Jan-02	Feb-02	Mar-02	Mar-02	Apr-02	May-02	Jun-02
$ 95,737	$ 95,737	$ 98,036	$ 98,036	$ 98,036	$ 98,036	$ 98,036	$ 98,036	$ 98,036	$ 98,036	$ 98,036
$ 158,278	$ 158,278	$ 161,791	$ 161,791	$ 161,791	$ 161,791	$ 161,791	$ 161,791	$ 161,791	$ 161,791	$ 161,791
$ 323,236	$ 323,236	$ 330,986	$ 330,986	$ 330,986	$ 330,986	$ 330,986	$ 330,986	$ 330,986	$ 330,986	$ 330,986
$ 310,633	$ 310,633	$ 318,279	$ 318,279	$ 318,279	$ 318,279	$ 318,279	$ 318,279	$ 318,279	$ 318,279	$ 318,279
$ 657,963	$ 1,315,927	$ 1,346,277	$ 1,346,277	$ 1,346,277	$ 1,346,277	$ 1,346,277	$ 673,138	$ 673,138	$ 673,138	$ 673,138
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449

Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Jan-03	Mar-03	Apr-03	May-03	Jun-03
$ 98,036	$ 98,036	$ 98,036	$ 100,486	$ 100,486	$ 100,486	$ 100,486	$ 100,486	$ 100,486	$ 100,486	$ 100,486
$ 161,791	$ 161,791	$ 161,791	$ 165,541	$ 165,541	$ 165,541	$ 165,541	$ 165,541	$ 165,541	$ 165,541	$ 165,541
$ 330,986	$ 330,986	$ 330,986	$ 339,270	$ 339,270	$ 339,270	$ 339,270	$ 339,270	$ 339,270	$ 339,270	$ 339,270
$ 318,279	$ 318,279	$ 318,279	$ 325,926	$ 325,926	$ 325,926	$ 325,926	$ 325,926	$ 325,926	$ 325,926	$ 325,926
$ 673,138	$ 673,138	$ 1,346,277	$ 1,378,535	$ 1,378,535	$ 1,378,535	$ 1,378,535	$ 1,378,535	$ 689,268	$ 689,268	$ 689,268
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449

Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04
$ 100,486	$ 100,486	$ 100,486	$ 100,486	$ 103,199	$ 103,199	$ 103,199	$ 103,199	$ 103,199	$ 103,199	$ 103,199
$ 165,541	$ 165,541	$ 165,541	$ 165,541	$ 169,700	$ 169,700	$ 169,700	$ 169,700	$ 169,700	$ 169,700	$ 169,700
$ 339,270	$ 339,270	$ 339,270	$ 339,270	$ 348,432	$ 348,432	$ 348,432	$ 348,432	$ 348,432	$ 348,432	$ 348,432
$ 325,926	$ 325,926	$ 325,926	$ 325,926	$ 334,528	$ 334,528	$ 334,528	$ 334,528	$ 334,528	$ 334,528	$ 334,528
$ 689,268	$ 689,268	$ 689,268	$ 1,378,535	$ 1,414,230	$ 1,414,230	$ 1,414,230	$ 1,414,230	$ 1,414,230	$ 707,115	$ 707,115
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449

Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Total
$ 103,199	$ 103,199	$ 103,199	$ 103,199	$ 103,199	$ -	$ -	$ -	$ 6,775,382
$ 169,700	$ 169,700	$ 169,700	$ 169,700	$ 169,700	$ -	$ -	$ -	$ 13,161,145
$ 348,432	$ 348,432	$ 348,432	$ 348,432	$ 348,432	$ -	$ -	$ -	$ 22,764,158
$ 334,528	$ 334,528	$ 334,528	$ 334,528	$ 334,528	$ -	$ -	$ -	$ 21,871,439
$ 707,115	$ 707,115	$ 707,115	$ 707,115	$ 1,414,230	$ -	$ -	$ -	$ 68,816,821
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 465,891
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 184,242
$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ 115,449	$ -	$ -	$ -	$ 8,081,415

COLUMBIA GAS OF KENTUCKY, INC.
FIRM TRANSPORTATION, STORAGE AND LNG AGREEMENTS
ANNUAL DEMAND COSTS - CONTRACTS EXPIRE ON SCHEDULE *

Pipeline	Rate Schedule	Calendar Year A/ 1999	2000	2001	2002	2003	2004	Total	Check
Col Gulf	FTS-1	$ 1,094,120	$ 1,103,241	$ 1,153,442	$ 1,181,331	$ 1,211,256	$ 1,031,993	$ 6,775,382	$ 0
TCO	FTS	$ 3,303,998	$ 2,309,981	$ 1,906,361	$ 1,948,990	$ 1,994,810	$ 1,697,004	$ 13,161,145	$ (0)
	FSS-MDSQ	$ 3,463,327	$ 3,844,209	$ 3,894,334	$ 3,988,399	$ 4,089,566	$ 3,484,324	$ 22,764,158	$ 0
	FSS-SCQ	$ 3,326,164	$ 3,694,145	$ 3,742,890	$ 3,834,646	$ 3,928,314	$ 3,345,280	$ 21,871,439	$ 0
	SST	$ 10,645,950	$ 11,708,007	$ 11,904,040	$ 12,181,007	$ 12,478,207	$ 9,899,609	$ 68,816,821	$ 0
Cove Point	FPS-1 Daily	$ 203,298	$ 203,298	$ 59,295	$ -	$ -	$ -	$ 465,891	$ -
Tennessee	FT-A	$ 101,132	$ 83,110	$ -	$ -	$ -	$ -	$ 184,242	$ -
	FT-A	$ 1,385,385	$ 1,385,385	$ 1,385,385	$ 1,385,385	$ 1,385,385	$ 1,154,488	$ 8,081,415	$ (0)
	TOTAL	$ 23,523,375	$ 24,331,376	$ 24,045,747	$ 24,519,760	$ 25,087,538	$ 20,612,698	$ 133,854,836	
	Sales + Choice Mcf	17,974,000	18,125,000	18,127,000	18,240,000	18,360,000	14,385,000		
GCR Demand with Choice		$ 1.3087	$ 1.3424	$ 1.3265	$ 1.3443	$ 1.3664	$ 1.4329		

1.062 Dth / Mcf

* Note: It is assumed that Tennessee Broad Run Contract is extended.
A/ 2004 only reflects 10 months of costs

C.W. 99-165

G - CAP Report

ATTACHMENT G

CUSTOMER ASSISTANCE PROGRAM REPORT OF CONSULTANT

Columbia Gas of Kentucky

Kentucky CAP

Year Three Evaluation

Prepared By:

The Prime Group, LLC
P.O. Box 7469
Louisville, KY 40257-7469

Martin Blake
Principal

March, 1999

Columbia Gas of Kentucky CAP Program

Year Three Evaluation

I. CAP Program Background

The Customer Assistance Program (CAP) offers low income customers a gas utility bill payment based on customer monthly income. Customers below 75% of the poverty level are asked to pay 5% of their monthly income to the utility in place of their normal gas bill. Customers with incomes between 75% and 110% are asked to pay 7% of their monthly income. CAP participants are also offered arrearage forgiveness for making a timely payment.

Randomly selected groups of customers were also offered different levels of: budget; energy counseling; and additional reminders to pay bills in a timely fashion. Although all groups were offered weatherization referrals by the Community Action Council (CAC) that helped to enroll participants and administer the CAP program, there was not a home weatherization component of the CAP program.

CAP enrollment began in November, 1995 in the Fayette, Harrison, Bourbon, and Nicholas counties. As of October, 1998, 955 customers have applied to the program, with 903 accepted. Of those accepted, 429 remained actively enrolled through October, 1998.

The purpose of CAP evaluation performed in this study is to provide documentation and recommendations to allow an informed assessment on whether the program should be continued, in some form, if at all, beyond the provisions under which it has operated since November 1995. This report includes an examination of the benefits that accrue to all ratepayers, participants and non-participants, as a result of the program.

II. Data

In order to obtain consistent data for comparison, data was collected from Columbia Gas of Kentucky's (Columbia) low-Income Energy Services Information System (ESINS) for all participant and control households. However, ESINS is not a comprehensive system. At this time, not all low-income households are being tracked by ESINS. Therefore additional data was obtained from Columbia's Distributive Information System (DIS) for low-income households that are not being tracked by ESINS. DIS contains basic transactional data such as consumption, the bill amount which reflects consumption, payments by customers under the CAP program, the payment code and arrearage amounts for all customers. For the analysis, 72 months of data, 36 months of data prior to and 36 months of data after the commencement of the CAP program in November, 1995, were obtained from ESINS and DIS. The ESINS data was used as the primary data set with DIS data used to fill in data for customers that were not tracked by ESINS. This approach was used because ESINS records much more information about a customer participating in CAP than is available on the DIS system. Data on the age and educational level of the head of household, family size, monthly income, primary source of income, the percentage of the poverty level, and the number of CAC interventions for each participant was obtained from the Lexington area Community Action Council from their IRIS (Integrated Resources Information System) tracking system.

The pre-enrollment period covers the one year interval prior to each household's entrance into the program. The post year one, post year two and post year three cover the first, second and third 12 month periods after acceptance into the program. The consumption analysis was performed using the amount of gas consumed by a customer for the meter days of service for a given revenue cycle.

III. Research Questions

Payment Behavior

1. Did the frequency of full and timely customer payments increase following CAP enrollment? Were there any differences across the three participant groups? Were differences seen in post year one continued into 'post year two? Are the number of late payments reduced among program participants?
2. What are the benefits of reduced late payments to the utility?
3. How many participants remain current for the entire year?
4. What is the distribution of arrearage for participants as they enter the program?
5. Are arrearage levels reduced for participants?
6. Are arrearage growth rates reduced for participants?

Collections / Terminations

1. What is the long term collection & termination history of participant households?
2. Does the program have an impact on the number of participant collection & termination actions? Were there any differences across the three participant groups? Were differences seen in post year one continued into post year two?
3. What impact does the program have on collection & terminations among the low-income population outside the participant group? Does the total amount of low income collection and termination activity remain constant?
4. A comparison between the results obtained through program participation vs. what would have been expected to happen to the participant group in terms of collections, terminations and payments.
5. What are the costs and benefits of avoided participant collection & termination activities to the utility?
6. What are the benefits of avoided collection and termination actions to participants?

Energy Use

1. Did energy consumption increase following entry into the CAP program? Were there any differences across the three participant groups (Normal Regular and Enhanced)?
2. What effect does participation have on energy use?

Affordability

1. Did CAP participation improve the affordability of natural gas service? Were there any differences across the three participant groups? Were differences seen in post year one continued into post year two?
2. Are the amounts participants paid under CAP less than the amounts actually paid by participants prior to enrollment into the program?
3. Are actual participant payments changed for participants?
4. Are energy assistance payments made on behalf of participants changed?

Program Outcomes

1. What is the dollar value of arrearage forgiveness for each participant?
2. What are the marginal costs of administering each phase of the KY-CAP program?
3. What is the marginal cost of applying intensive follow-up counseling to participants?
4. What is the marginal benefit of applying intensive follow-up counseling to participants?
5. An assessment of Columbia's avoided cost vs. the cost of the program.
6. How increased levels of intervention affect the outcomes of program participants? How did the increased levels of intervention affect avoided cost? Are the increased levels of intervention cost-effective?
7. Which of the three types of intervention strategies produced the greatest CAP impact?

Projections

1. Projections for collections, terminations, payments and avoided costs if the program is expanded in its current form to all of Columbia's customers.
2. How well the group of program participants provides a statistically valid sample to make future projections of program results to participants and non-participants.
3. An assessment of the impacts of the program on non-participants.
4. An analysis of program administration, its effectiveness and how it affects the participation and outcomes of the participants.
5. Recommendations on program administration to effectively offer the program in all of Columbia's service territory.
6. How the administrative and program costs would differ if program participation doubled or tripled?
7. What are the projected costs and benefits for expanding the program?
8. Recommendations on program structure to reduce the cost of the program on a per-participant basis.

IV. Methodology

To answer the above questions, a field experiment was designed to allow CAP impacts to be clearly identified by the different treatments they would receive. The research plan called for four groups to be randomly selected from the low income client universe of the Lexington area CAC.

These four groups are defined as:

1. ***Control*** - those receiving no payment plan offer
2. ***Normal*** - those participating in the payment plan but receiving no budget plan, no

conservation counseling, and no special payment reminders

3. ***Regular*** those participants in the payment plan who received telephone reminders if needed
4. ***Enhanced,*** participants in the payment plan receiving extensive education and counseling support, including required attendance at monthly budget/energy conservation seminars.

The approach that was used for analyzing the data generated by the CAP was to use the first 12 months immediately following each participant's CAP enrollment as the first year, to use the second 12 months immediately following each participant's CAP enrollment as the second year, and to use the third 12 months immediately following each participant's CAP enrollment as the third year. The months preceding each participant's CAP enrollment would be used as the pre-CAP period. The following table provides the number of customers in each group during the CAP study.

Number of Customers By Group

	Control	Normal	Regular	Enhanced
Pre-CAP	240	225	93	85
Year 1	257	241	96	87
Year 2	241	192	73	65
Year 3	196	125	38	37

The pre-CAP data were used in two ways in this analysis. For some analyses, the 12 month period immediately preceding CAP enrollment was used to provide a basis for comparison with the first, second and third year CAP results. For other analyses, the entire three year set of pre-CAP data is used. The way in which the pre-CAP data is used will be identified when describing a particular analysis.

IV. Characteristics of Participants and Non-Participants

Table A-1 in Appendix A contains information regarding the frequency of full payment during the one year period immediately preceding customers joining the CAP program. As can be seen from Table A-1, the control group had a much higher frequency of full payment for all 12 months of the pre-CAP period than any of the CAP participant groups. This would indicate a lack of randomness with respect to this characteristic.

The following table contains information regarding the number of shut off orders, termination notices and new bills by group during the one year period immediately preceding the customer joining the CAP program. The total number of transactions is the sum of the new bills, termination notices and shut off orders. Dividing the number of shutoff orders, termination notices and new bills by the total number of transactions gives the relative incidence of each of these actions. As can be seen from this table, the control group had a lower incidence of shutoffs and termination notices than the groups of CAP participants, which would indicate a lack of randomness with respect to the incidence of shutoffs and termination notices. However, the incidence of shutoffs and termination notices is very similar among the three CAP groups. Both the previous table and the following table indicate a lack of randomness with regard to bill payment behavior between the control group and the CAP groups, but randomness of assignment among the three CAP groups.

Shutoff Orders, Termination Notices and New Bills During the Pre-CAP Period

	Control	Normal	Regular	Enhanced
Number of shutoffs	250	262	60	61
Number of termination notices	648	577	126	124
Number of new bills	2,693	1855	370	372
Total number of transactions	3591	2694	556	557
Shutoffs per transaction	.07	.10	.11	.11
Termination notices per transaction	.18	.21	.23	.22
New bills per transaction	.75	.69	.67	.67

The groups were examined with respect to their selected demographic variables during the one year pre-CAP period. The only statistically significant differences between the control group and the CAP groups were with respect to the age of the head of the household. Thus, although the control group has a higher monthly income and a smaller average family size than the CAP groups, the difference is not statistically significant based upon t-tests of the independence of two means. The assignment to the groups appears to be random with respect to demographic variables.

Demographic Data

	Control	Normal	Regular	Enhanced
Average Age of head of household	58.94	54.77	50.63	51.51
Average Family Size	1.95	2.15	2.23	2.51
Average Monthly income	$607.70	$565.59	$569.35	$552.82
Average % of Poverty Level	71.32	63.97	60.86	58.09

To assess randomness of assignment, the groups were examined with respect to their consumption and bill amount bill amount during the one year pre-CAP period. In the following table, consumption is the average of the monthly amounts of gas consumed by customers in a particular group measured in hundred cubic feet (ccf). Weather normalized consumption is the average of the monthly amounts of gas consumed by customers in a particular group normalized to long term weather trends, as discussed above, measured in thousand cubic feet (MCF). Bill amount is the average of monthly current usage charges for customers in a particular group calculated as actual consumption for a customer in a particular month times the rate. The bill amount reflects the current monthly charges for the gas that customers consume and is what customers would be asked to pay without any payment plan programs.

Consumption and Bill Amounts During the Pre-CAP Period

	Control	Normal	Regular	Enhanced
Monthly Average Consumption (in MCF)	8.009	99.925	9.494	9.189
Monthly Average Bill Amount	$54.06	$68.07	$65.75	$63.57

There are statistically significant differences between the control group and the three CAP groups with respect to consumption and bill amount based on t-tests for independent samples. The pre-CAP average consumption and bill amount for the control group is lower than the three CAP groups.

To assess randomness of assignment, the groups also were examined with respect to their average arrearage amounts during the one year pre-CAP period. The table below shows that there were significant differences between the control group and the three CAP groups with respect to average arrearages during the year before CAP commenced.

Arrearage Amounts During the Pre-CAP Period

	Control	Normal	Regular	Enhanced
Monthly Average Arrearage Amount	$38.61	$71.90	$54.20	$65.86

In summary, the only way that customers appear to be randomly assigned to the control group versus the CAP groups is with respect to demographic variables. The customers assigned to the control group, had lower consumption, lower bill amounts, lower arrearage amounts and better payment behavior than customers assigned to the three CAP groups. This lack of randomness affects the ability to draw conclusions from the three year CAP experiment and to project the results to the rest of Columbia's customers. A truly random assignment to both the participant and control groups would be the preference for evaluation purposes.

The control versus CAP participant difference in consumption may be explained by the fact that some of the customers originally slated to be control group members requested to join the CAP program. It was determined prior to the program that Control customers would not be solicited for entry into the program, but would be allowed to enroll upon customer request. This shift from control to participant group could account for the difference in pre-CAP levels of consumption and other factors from what would be expected under purely random assignment conditions.

V. Payment Behavior

Tables A-1 through A-4 in Appendix A contain data regarding the frequency of full payment for CAP participants and for the control group for the three years of the CAP program and for the year immediately preceding customers enrolling in the CAP program. Tables A-5 through A-8 contain information regarding the frequency of full payment by group. As an example of how to use these tables, Table A-1 shows that during the year before joining the CAP program, five customers in the Normal group made full payments in all 12 months while 33 customers in the

Normal group made full payments only once during the year. Tables A-1 through A-4 are used to compare the frequency of full payment among groups for any particular year, while Tables A-5 through A-8 are used to compare the frequency of full payment for a particular group over time.

Table A-1 shows that prior to the CAP program, 53 customers, or about 24%, of the 223 customers in the Control group made full payments in each of the 12 months during the year before the CAP program began. This compare with 5 customers (3%) of the Normal group, no customers (0%) in the Regular group and 2 customers (2%) in the Enhanced group who made full payments in each of the 12 months during the year before the CAP program began. As noted above, the Control group had significantly better payment behavior than any of the three CAP groups during the pre-CAP period. Table A-2 shows that during the first year of the CAP program, the payment behavior of CAP participant improved markedly.

During the first year of the CAP program, 13 of 224 (6%) in the Control group, 42 of 186 (23%) in the Normal group, 22 of 90 (24%) in the Regular group and 17 of 85 (20%) in the Enhanced group made full payments in each of the 12 months during the first year. During the second year of the CAP program, 66 of 214 (31%) in the Control group, 47 of 145 (32%) in the Normal group, 27 of 71 (38%) in the Regular group and 27 of 65 (42%) in the Enhanced group made full payments in each of the 12 months during the second year. During the third year of the CAP program, 72 of 180 (40%) in the Control group, 44 of 87 (51%) in the Normal group, 17 of 38 (45%) in the Regular group and 24 of 37 (65%) in the Enhanced group made full payments in each of the 12 months during the third year of the CAP program.

Thus, with regard to customers making a full payment in all 12 months, the CAP program dramatically improved the payment behavior of CAP participants from frequencies well below the Control group during the year preceding CAP to frequencies of full payment well above the Control group by the third year. In responding to the research questions, the frequency of full and timely customer payments definitely increased for all three groups of CAP program participants following CAP enrollment, and the number of late payments were reduced among the three groups of program participants. While the frequency of full payment increased for all three groups of CAP participants, Table A-4 does not show much difference between the payment frequency for the Regular or Normal groups during the third year, while the frequency of full payment for the Normal group appears to be lower than for the Regular and Enhanced groups.

The following table contains the average monthly level of arrearages in dollars by group for the three years of the CAP program and the year preceding customers participating in CAP.

Average Monthly Level of Arrearages (Dollars)

	Control	Normal	Regular	Enhanced
Pre-CAP	38.61	71.90	54.20	65.86

Year 1	34.08	51.52	43.96	60.62
Year 2	40.41	18.52	21.00	27.84
Year 3	26.07	6.02	4.84	9.65

This table shows that the pre-CAP average level of arrearages was significantly lower for the Control group than for the three CAP groups. This is consistent with the better pre-CAP payment behavior of the Control group noted above. However, during the three years of the CAP program, the three CAP groups showed significant decreases in the monthly average level of arrearages, while no such trend in reductions was exhibited for the Control group.

The percentage of customers that have no arrearages during a year are shown by group in the following table. This illustrates a significant reduction in arrearages by the three CAP groups, while no such reduction occurred for the Control group. This indicates that the CAP program was successful in helping customers to reduce their arrearages, and is consistent with the significant reduction in the arrearage amount shown in the table above.

Percentage of Customers with No Arrearages During the Year

	Control	Normal	Regular	Enhanced
Pre-CAP	21.2%	16.4%	21.5%	12.9%
Year 1	27.2%	36.5%	32.3%	36.8%
Year 2	22.8%	53.6%	49.3%	52.3%
Year 3	30.1%	86.4%	94.7%	86.5%

VI. Collections / Terminations

The following table contains a measure of the incidence of termination notices calculated by dividing the total number of termination notices issued to customers in a particular group during a given year by the total number of transaction for the group during that year, including new bills issued, termination notices and shutoff orders.

Incidence of Termination Notices

Year	Control	Normal	Regular	Enhanced
Pre-CAP	.18	.21	.23	.22
1	.16	.09	.10	.12
2	.17	.15	.13	.17
3	.15	.16	.14	.16

As described earlier in this study, the Control group had a lower incidence of termination notices than the three CAP groups during the pre-CAP period. This table shows that the incidence of termination notices decreased for the three CAP groups during the CAP program, while it did not change for the Control group. However, after a large initial decrease for all three CAP groups during the first year, the incidence of termination notices showed a slow increase during the last two years of the CAP program. The incidence of termination notices was about the same for the three CAP groups as it was for the Control group during the third year of the program.

The following table contains a measure of the incidence of shutoff orders calculated by dividing the total number of shutoff orders for a particular group during a given year by the total number of transaction for the group during that year, including new bills issued, termination notices and shutoff orders.

Incidence of Shutoff Orders

Year	Control	Normal	Regular	Enhanced
Pre-CAP	.07	.10	.11	.11
1	.03	.01	.02	.01
2	.03	.01	.02	.03
3	.03	.02	.03	.04

As described earlier in this study, the Control group had a lower incidence of shutoff orders than the three CAP groups during the pre-CAP period. This table shows that the incidence of shutoff orders decreased significantly for the three CAP groups during the CAP program, while it decreased for the Control group during the first year and held constant thereafter. However, after a large initial decrease for all three CAP groups during the first year, the incidence of shutoff orders showed a slow increase during the last two years of the CAP program. The incidence of shutoff orders was about the same for the three CAP groups as it was for the Control group during the third year of the program. The incidence of termination notices and shutoff orders does not appear to vary significantly among the three CAP groups. There was a decrease in the incidence of termination notices and shutoff orders during the CAP program for the Control group but it is not possible to infer a cause and effect relationship between these events.

Sending a termination notice to a customer costs Columbia about $1.79 per termination notice. This estimate was determined as follows:

Cost of producing a termination notice (Includes paper, printing and data center labor)	$0.14
Postage for termination notice	$0.32
Customer Service Specialist (Job Grade 6) customer Contact charged to follow up on termination notices ($0.38 cents per minute x 3.5 minutes)	$1.33
Total termination notice expense	$1.79

During the third year, there were an average of 483 customers enrolled in the CAP program, which was calculated from CAP monthly customer participation from November, 1997 through October, 1998 (see Appendix B). The number of termination notices that would be sent to 483 customers during the pre-CAP period is estimated to be 2,038. This was calculated by multiplying 483 by 4.22 termination notices per CAP customer during the pre-CAP period, which was obtained by dividing the total number of termination notices in the pre-CAP period by the 196 CAP customers in the pre-CAP sample (827/196). The number of termination notices that would be sent to 483 customers during year 3 is estimated to be 1,351. This was calculated by multiplying 483 by 2.80 termination notices per CAP customer during year 3, which was obtained by dividing the total number of termination notices in year 3 by the 227 CAP customers in the year 3 sample (635/227). Thus, it is estimated that the CAP program resulted in 687 fewer termination notices being sent during year 3 compared to the pre-CAP period. At $1.79 per termination notice, this represents a projected savings of $1,229.73.

Executing a shutoff order for a customer costs Columbia about $22.75 per shutoff. This estimate was determined as follows:

Average time to complete premise visit is 10 minutes (labor rate of $0.47 per minute)	$ 4.70
Drive time, paperwork (30 minutes)	$14.10
Cost of truck	$ 3.95
Total shutoff order expense	$22.75

For the 483 customers enrolled in the CAP program during year 3, the number of shutoff orders that would be expected to be executed during the pre-CAP period is 944. This was calculated by multiplying 483 by 1.95 shutoff orders per CAP customer during the pre-CAP period, which was obtained by dividing the total number of shutoff orders in the pre-CAP period by the 196 CAP customers in the pre-CAP sample (383/196). The number of shut off orders that would be executed for 483 customers during year 3 is projected to be 206. This was calculated by multiplying 483 by 0.43 shutoff orders per CAP customer during year 3, which was obtained by dividing the total number of shut off orders in year 3 by the 227 CAP customers in the year 3 sample (97/227). Thus, it is estimated that the CAP program resulted in 738 fewer shutoff orders being executed during year 3. At $22.75 per shutoff order, this represents a projected savings of $16,789.50.

VII. Energy Use

The following table contains the average monthly consumption for the Control groups and the CAP groups. During the Pre-CAP period, average monthly consumption of the Control group is lower than all three CAP groups, and this difference is statistically significant based on t-tests for independent means. This table shows that consumption has increased relative to the pre-CAP period for the Regular and Enhanced groups, but has decreased relative to the pre-CAP for the Normal group.

Average Monthly Consumption (in MCF)

Year	Control	Normal	Regular	Enhanced
Pre-CAP	8.009	9.925	9.494	9.189
1	9.404	10.065	9.827	9.427
2	8.447	9.641	9.557	8.892
3	7.616	8.914	10.361	9.400

The following table shows the percentage that each of the CAP groups was above the Control group and uses the Control group as a base in making this calculation. Because the percentages in year 3 are above the pre-CAP percentages for the Regular and the Enhanced groups, this table illustrates an increase in consumption by these two groups relative to the Control group during the CAP program. The percentage in year 3 is below the pre-CAP percentage for the Normal group, which indicates a decrease in consumption by the Normal group relative to the Control group during the CAP program.

Percentage Increase In Consumption Using the Control Group As The Base

Year	Normal	Regular	Enhanced
Pre-CAP	23.9	18.5	14.7
1	7.0	4.5	0.2
2	14.1	13.1	5.3
3	17.0	36.0	23.4

In responding to the research questions, the energy use of CAP participants has increased during the three year CAP program for the Regular and Enhanced groups relative to the Control group, but consumption has decreased relative to the Control group for the Normal group. Thus, the data do not provide a clear indication of whether the CAP program has resulted in increased consumption by the participants.

VIII. Affordability

The following table is an average of the monthly bill amounts that reflect current usage charges associated with reported consumption. As was noted above, the average monthly bill amount was lower for the Control group than for the CAP groups during the pre-CAP period. The average monthly bill amount reflects the amount that would normally be billed to a customer without either the CAP program or payment plan programs. By the third year of the CAP program, the average monthly bill amount had increased relative to the pre-CAP bill amount for all three CAP groups.

Average Monthly Bill Amount (Dollars)

Year	Control	Normal	Regular	Enhanced
Pre-CAP	54.07	68.36	65.75	63.58
1	56.74	68.08	66.20	66.30

2	70.42	66.91	72.14	68.09
3	58.21	73.63	75.60	69.19

The following table reflects the average monthly payments that were actually made by customers. There was a significant reduction in average monthly payments made by customers during the CAP program for all three CAP groups, while the monthly payments made by the Control group actually increased.

Average Monthly Payments Made By Customers (Dollars)

Year	Control	Normal	Regular	Enhanced
Pre-CAP	43.20	46.21	46.46	42.52
1	45.09	30.62	29.23	29.61
2	53.18	30.85	29.23	29.27
3	49.83	32.75	31.42	28.92

In responding to the research questions, the above analysis indicates that the CAP program definitely made gas more affordable for CAP participants. There did not appear to be significant differences in the affordability of natural gas among the three CAP groups. Additionally, the amounts participants paid under CAP were less than the amounts actually paid by participants prior to enrollment into the program. The actual participant payments were reduced for participants.

IX. Program Outcomes

The total number of CAP participants by month, new enrollments, removals and re-entries are contained in Appendix B. During the CAP program, 955 customers applied for the program, 903 were accepted and 52 were rejected. There were an average of 484 customers per month participating in the CAP program from November, 1995 through October, 1998. This figure was obtained by averaging 36 months of CAP enrollment data and will be used in converting CAP expenses to a per participant basis.

The following table shows the pre-CAP arrearage balances and the reductions in those balances during the CAP program. About $25,200 of the total reduction in arrearages came from customer co-payments with the remaining $27,700 coming from Columbia's forgiveness of 1/36th of the pre-program arrearage for each month that the customer makes the $5 copayment. The reduction in arrearages resulting from customer co-payments should also be counted as a benefit of the CAP program. This arrearage reduction would be $8,400 ($25,200 / 3) on an annual basis.

	Active Customers	Inactive Customers	Total
Original Pre-CAP Balances	$35,549.28	$53,386.11	$88,935.39
Current Pre-CAP Balances	$8,285.08	$27,761.88	$36,046.96

Number of Customers	429	474	903
Arrearage Reduction per Customer	$63.55	$54.06	

For the program to date, $104,760 in regular LIHEAP funds have been collected from 1,315 customers, or an average of about $80 per customer, to offset the shortfall amount.

The following table contains the administrative expenses for running the CAP program, both program to date and on a per customer per year basis. The expense per customer per year was obtained by dividing the program to date expense by 1,452 (484 customers x 3 years).

CAP Administrative Expenses Through October, 1998 (in Dollars)

Administrative Expense	Total Program to Date	Expense Per Customer Per Year
Education	291.55	0.20
Weatherization	0.00	0.00
Outreach/Intake	178,334.72	122.82
Administration	99,128.76	68.27
Evaluation	44,365.87	30.58
Computer Programming	33,540.35	23.10
Training	404.13	0.28
Total Expenses	356,065.38	245.25

The following table contains the number of interventions by group for each year of the CAP program and for the year preceding the CAP program. The number of interventions reflected the three intervention strategies with the Enhanced group receiving the most interventions, the Regular group receiving the next most interventions and the Normal group receiving the fewest interventions.

Number of CAC Interventions

Year	Control	Normal	Regular	Enhanced	Total
Pre-CAP	0	1	0	3	4
1	5	41	48	329	423
2	3	9	45	172	229
3	0	5	4	96	105
Total	8	56	97	602	763

There did not appear to be significant differences in CAP performance among the three types of intervention strategies. Based on improvement in the frequency of full payment, reduced incidence of termination notices and shutoff orders, reduced arrearages and monthly payments made by customers there did not appear to be significant differences among the Normal, Regular and Enhanced groups. This indicates that the increased level of intervention was not effective in improving CAP program outcomes. In responding to the research questions, there did not appear to be a marginal benefit of applying intensive follow-up counseling to participants, and increased levels of intervention did not appear to affect avoided cost. The data do not show that the increased levels of intervention was cost effective. Thus, if the CAP program continues, the interventions that were utilized in the Regular and Enhanced groups should not be continued. The data indicates that this would not reduce program effectiveness and that eliminating interventions would decrease the administrative costs of the CAP program.

The following table provides a summary of the CAP financial results for the three years of the program. The cost of the CAP program for the third year was $332,707, which consisted of CAP program expenses of $130,189 and a shortfall of $202,518. This represents CAP program costs of about $688 per CAP participant during the third year of the program. Because there was no weatherization component to the CAP program, the benefits to Columbia and to non-participants consist solely of the cost savings from fewer termination notices sent of $1,229.73, fewer shutoff orders executed of $16,789.50, and annualized customer payment of arrearages of $8,400. The estimated total annual benefits to non-participants is $26,419.23. Based on this analysis the program benefits do not outweigh the program costs.

Summary of CAP Financial Results

	Year 1	Year 2	Year 3	Total Program to Date
Revenue: Surcharges Received from Non-CAP Customers	$126,731	$169,595	$156,525	$452,851
Under/Over Recovery from Non-CAP Customers		$4,646	($3,238)	
Administrative Expenses	$122,095	$126,990	$130,189	$379,274
CAP tariff billing	$344,147	$407,642	$385,729	$1,137,518
less: CAP customer payments	$128,060	$148,410	$151,988	$428,458
Less: LIHEAP	$41,402	$34,231	$29,468	$105,101
Less: Adjustments	$4,597	$4,366	$1,755	$10,718
Shortfall	$170,088	$220,635	$202,518	$593,241
Expenses + Shortfall	$292,183	$347,625	$332,707	$972,515
Shareholder Portion	$160,823	$173,813	$166,354	$500,990
Under Recovery Year 3			$13,066	

X. Projections

As was noted in the section discussing participant and non-participant characteristics above, the three groups of CAP participants are significantly different than the Control group with respect to payment behavior, termination notices, shutoffs, and arrearage levels. Given this lack of randomness, it is not statistically sound to use the data set in this analysis to draw inferences about Columbia's entire population of low income customers.

Appendix C1 contains the number of low income households served by Columbia Gas in the counties where the CAP program is currently available to customers. These counties are: Bourbon, Clark, Estill, Fayette, Floyd, Harrison, Johnson, Magoffin, Martin, Nicholas and Pike. Appendix C2 contains the number of low income households served by Columbia Gas in the counties where the CAP program is not currently available to customers. These counties are: Bath, Boyd, Bracken, Clay, Franklin, Greenup, Jessamine, Knott, Lawrence, Lee, Letcher, Lewis, Madison, Mason, Meniffee, Montgomery, Morgan, Owsley, Perry, Robertson, Scott and Woodford. The tables in Appendix C show that there are 6,312 low income households currently served by Columbia Gas with 5,154 potentially eligible for the CAP program. Of these 5,154 eligible for the CAP program, an average of 484 have participated in CAP annually, which is about 9.4% of the eligible households. If the level of participation does not increase and if program administration could be made more efficient, the cost of extending the CAP program to Columbia Gas' entire service territory should not increase markedly over existing levels. The two factors that could dramatically increase the cost of the CAP program are: (1) a higher level of participation by low income households and (2) an increase in the price of the natural gas commodity.

XI. Alternatives

There are several alternatives that could be pursued with regard to Columbia's CAP program. The first alternative is to pursue modifications to the program that would make it more efficient administratively. From interviewing CAC personnel and members of the CAP collaborative, there are a number of changes that could be made to the CAP program design that would make it more efficient.

First, because live face-to-face contact is expensive in terms of time and money, changes could be made that would significantly reduce the number of face-to-face contacts. One type of live face-to-face contact that could be significantly reduced is the annual income recertification. The CAC has income data available from the state with regard to the food stamp program. Because the state can suffer food stamp program reductions if this income data is not accurate, the income data for the food stamp program is carefully collected and verified. This income data is available to the CAC in electronic format and could be used to qualify CAP program participants at a much lower cost per participant than a face-to-face visit. Any households that apply for CAP and that are not enrolled in the food stamp program could still be recertified on a face-to-face basis. However, because there is substantial overlap between the food stamp program and those eligible for CAP, electronically verifying income data for most participants would significantly reduce administrative costs.

Another option that could be pursued to make the CAP program more efficient would be to centralize CAP program administration. Based on my observations, the Lexington CAC would be the best choice for centralized administration of the CAP programs. The Lexington CAC seems to be well run, efficient and has good electronic data processing capabilities. A per participant processing fee could be paid to agencies in outlying counties for assistance in initial

CAP signup with administration of the account performed by Lexington CAC after signup.

A third option that would reduce administrative costs is to eliminate interventions and apply the program design used for the Normal group to all CAP program participants. The data show no difference in CAP results resulting from higher levels of intervention. Since these increased levels of intervention add cost without improving CAP outcomes, these interventions can be eliminated to make the program less costly and more efficient. If the CAP program is continued, these three actions for making the program more cost effective should be pursued.

Appendix A
Bill Payment Behavior

Table A-1. Frequency of Full Payment by Group For the Year Preceding the CAP Program

Frequency of Full Payment	Control	Normal	Regular	Enhanced
12	53	5	0	2
11	34	13	10	10
10	16	11	2	3
9	14	12	6	4
8	11	13	10	3
7	7	14	4	9
6	13	9	3	5
5	10	11	2	3
4	13	9	9	7
3	14	14	8	4
2	17	22	11	6
1	21	33	15	17
Total	223	166	80	119

Table A-2. Frequency of Full Payment by Group For the First Year of the CAP Program

Frequency of Full Payment	Control	Normal	Regular	Enhanced
12	13	42	22	17
11	70	32	16	18
10	21	17	7	13
9	17	17	6	9
8	10	7	9	2
7	7	15	9	4
6	15	7	2	4
5	16	10	2	2
4	15	10	3	5
3	7	6	6	2
2	10	12	4	4
1	23	11	4	5
Total	224	186	90	85

Table A-3. Frequency of Full Payment by Group For the Second Year of the CAP Program

Frequency of Full Payment During the Second Year of CAP	Control	Normal	Regular	Enhanced
12	66	47	27	27
11	18	23	5	5
10	11	13	2	3
9	12	6	4	4
8	13	6	0	2
7	8	3	4	4
6	16	8	12	6
5	14	5	4	5
4	6	6	1	5
3	14	10	5	1
2	16	7	2	1
1	20	11	5	2
Total	214	145	71	65

Table A-4. Frequency of Full Payment by Group For the Third Year of the CAP Program

Frequency of Full Payment	Control	Normal	Regular	Enhanced
12	72	44	17	24
11	10	6	7	1
10	15	5	2	2
9	11	6	5	1
8	6	5	1	2
7	7	9	1	3
6	9	3	1	0
5	5	4	1	3
4	14	2	0	0
3	10	0	1	0
2	14	0	1	0
1	7	3	1	1
Total	180	87	38	37

Table A-5. Frequency of Full Payment For the Control Group

Frequency of Full Payment	Pre-CAP	Year 1	Year 2	Year 3
12	53	13	66	72
11	34	70	18	10
10	16	21	11	15
9	14	17	12	11
8	11	10	13	6
7	7	7	8	7
6	13	15	16	9
5	10	16	14	5
4	13	15	6	14
3	14	7	14	10
2	17	10	16	14
1	21	23	20	7
Total	223	224	214	180

Table A-6. Frequency of Full Payment For the Normal Group

Frequency of Full Payment	Pre-CAP	Year 1	Year 2	Year 3
12	5	42	47	44
11	13	32	23	6
10	11	17	13	5
9	12	17	6	6
8	13	7	6	5
7	14	15	3	9
6	9	7	8	3
5	11	10	5	4
4	9	10	6	2
3	14	6	10	0
2	22	12	7	0
1	33	11	11	3
Total	166	186	145	87

Table A-7. **Frequency of Full Payment For the Regular Group**

Frequency of Full Payment	Pre-CAP	Year 1	Year 2	Year 3
12	0	22	27	17
11	10	16	5	7
10	2	7	2	2
9	6	6	4	5
8	10	9	0	1
7	4	9	4	1
6	3	2	12	1
5	2	2	4	1
4	9	3	1	0
3	8	6	5	1
2	11	4	2	1
1	15	4	5	1
Total	80	90	71	38

Table A-8. Frequency of Full Payment For the Enhanced Group

Frequency of Full Payment	Pre-CAP	Year 1	Year 2	Year 3
12	2	17	27	24
11	10	18	5	1
10	3	13	3	2
9	4	9	4	1
8	3	2	2	2
7	9	4	4	3
6	5	4	6	0
5	3	2	5	3
4	7	5	5	0
3	4	2	1	0
2	6	4	1	0
1	17	5	2	1
Total	119	85	65	37

Appendix B. CAP Participants, Enrollments, Re-Entries and Removals

Month	Enrollments	Re-entries	Removals Other Than Non-Pay	Removals for Non-Pay	Month-End Participant Total
Oct-95	14	0	0	0	14
Nov-95	414	0	4	0	424
Dec-95	39	0	8	0	455
Jan-96	9	0	8	0	456
Feb-96	35	0	8	0	483
Mar-96	18	1	11	1	490
Apr-96	18	0	8	5	495
May-96	12	1	12	2	494
Jun-96	11	1	12	2	492
Jul-96	11	1	9	2	493
Aug-96	3	2	12	11	475
Sep-96	0	1	4	17	455
Oct-96	0	0	4	3	448
Nov-96	1	0	23	1	425
Dec-96	24	1	8	1	441
Jan-97	18	0	5	0	454
Feb-97	8	0	9	0	453
Mar-97	15	0	4	0	464
Apr-97	80	0	8	0	536
May-97	30	0	6	5	555
Jun-97	17	0	18	3	551
Jul-97	1	0	18	7	527
Aug-97	13	0	9	5	526
Sep-97	12	0	19	2	517
Oct-97	18	0	15	0	520
Nov-97	13	2	16	3	516
Dec-97	12	1	7	1	521
Jan-98	6	1	10	1	517
Feb-98	1	1	9	0	510
Mar-98	10	0	15	3	502
Apr-98	4	0	14	0	492
May-98	9	1	5	2	495
Jun-98	5	0	16	7	477
Jul-98	6	0	19	7	457
Aug-98	0	0	6	4	447
Sep-98	1	0	10	1	437
Oct-98	15	4	26	1	429
Nov-98	14	2	2	2	441
Dec-98	30	0	31	0	440

Appendix C1. Low Income Customers Served By Columbia Gas

Counties In Original CAP Program	Number of Low Income Customers
Bourbon	294
Clark	645
Estill	389
Fayette	3,163
Floyd	190
Harrison	162
Johnson	3
Magoffin	5
Martin	250
Nicholas	2
Pike	51
Total	5,154

Source: ESINS Customer Data Base

Appendix C2. Low Income Customers Served By Columbia Gas

Counties Not In Original CAP Program	Number of Low Income Customers
Bath	1
Boyd	1127
Bracken	7
Clay	3
Franklin	460
Greenup	574
Jessamine	1
Knott	96
Lawrence	207
Lee	1
Letcher	1
Lewis	13
Madison	24
Mason	400
Menifee	9
Montgomery	329
Morgan	1
Owsley	7
Perry	4
Robertson	2
Scott	172
Woodford	210
Total	1,158

Source: ESINS Customer Data Base

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
NOV 1 2 1999
PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
THE TARIFF FILING OF COLUMBIA GAS OF	)	
KENTUCKY, INC. TO IMPLEMENT A SMALL	)	CASE NO. 99-165
VOLUME GAS TRANSPORTATION SERVICE,	)	
TO CONTINUE ITS GAS COST INCENTIVE	)	
MECHANISMS, AND TO CONTINUE ITS	)	
CUSTOMER ASSISTANCE PROGRAM	)	

RESPONSES TO COMMISSION'S ORER DATED OCTOBER 29, 1999
ON BEHALF OF
COLUMBIA GAS OF KENTUCKY, INC.

Andrew J. Sonderman, General Counsel
Stephen B. Seiple, Senior Attorney
Stanley J. Sagun, Attorney
Amy L. Koncelik, Attorney
200 Civic Center Drive
P.O. Box 117
Columbus, Ohio 43216-0117
Telephone: (614) 460-4648
Fax: (614) 460-6986
Email: sseiple@ceg.com

Richard S. Taylor
Capital Link Consultants
315 High Street
Frankfort, Kentucky 40601
Telephone: (502) 223-8967
Fax: (502) 226-6383

Attorneys for
COLUMBIA GAS OF KENTUCKY, INC.

November 12, 1999

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
CASE NO. 99-165
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
IN ORDER DATED OCTOBER 29, 1999

Question No. 1

Were the rate increases from Case No. 94-179 the primary reasons for the increases in Columbia's earnings for the years 1995, 1996 and 1997?

Response:

While Columbia believes that this question is irrelevant to Case No. 99-165, the primary contributors to Columbia's earnings increases during the period 1995 through 1997 were the rate adjustments approved by the Commission in Case No. 94-179, an increase in industrial revenues due to the strong economy during this period, and Columbia's share of off-system sales from the gas cost incentive program approved by the Commission in Case No. 96-079.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
CASE NO. 99-165
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
IN ORDER DATED OCTOBER 29, 1999

Question No. 2

What were Columbia's earnings for the 12 months ended April 1999? Was it 13.8 percent?

Response:

While Columbia believes that this question is irrelevant to Case No. 99-165, Columbia's return on equity for the twelve months ending April 1999 was 15.9% based on a thirteen month average equity balance.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
CASE NO. 99-165
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
IN ORDER DATED OCTOBER 29, 1999

Question No. 3

Why have earnings declined since December 1998?

Response:

While Columbia believes that this question is irrelevant to Case No. 99-165, the earnings decline from December 1998 is primarily due to the fact that the benefit from the consolidated Kentucky net operating loss is no longer in earnings.

PSC Data Request Set 4
Question No.4
Respondent: S. M. Katko

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
CASE NO. 99-165
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
IN ORDER DATED OCTOBER 29, 1999

Question No. 4

What were Columbia's earnings for the most recent period reported?

Response:

While Columbia believes that this question is irrelevant to Case No. 99-165, Columbia's return on equity for the twelve months ending September 1999 was 17.4% based on a thirteen month average equity balance.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
CASE NO. 99-165
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
IN ORDER DATED OCTOBER 29, 1999

Question No. 5

Provide results of customer satisfaction surveys for the last five years, along with a copy of the surveys.

Response:

Please find attached a copy of the survey instrument as well as copies of the survey results for the years 1996, 1997, 1998 and the third quarter of 1999. Customer service surveys were not performed for Columbia Gas of Kentucky exclusively prior to 1996.

Columbia Gas

Service Questionnaire - LONG
Customer Service Research
1997 Rollout
February 9, 1998

Note: in Virginia sample use "Commonwealth Gas" in place of Columbia Gas whenever it appears

Hello, I'm ___________________ from Strategic Research calling on behalf of Columbia Gas to find out if you have been satisfied with the service you have received. According to their records, someone in your household/company recently contacted Columbia Gas to either request service or discuss your account. Could I speak with the person who made that contact with the gas company? **(ASK FOR RESPONDENT BY NAME IF AVAILABLE)**

INTERVIEWER: PROMPT, IF NECESSARY BY MENTIONING THE TYPE OF SERVICE AND THE DATE OF THE CONTACT(S) FROM SAMPLE.

S1.

RESIDENTIAL.................................... -1
COMMERCIAL/BUSINESS .... -2

1. Overall, taking everything into consideration, how satisfied are you with Columbia Gas? Would you say you were...

Very Satisfied...................................... -1
Satisfied.. -2
Somewhat Dissatisfied.......................... -3
Very Dissatisfied.................................. -4
DON'T KNOW/NO OPINION .... -5

2. I would like to know how favorable you feel toward Columbia Gas overall. Would you say...

Very Favorable..................................... -1
Somewhat Favorable............................. -2
Somewhat Unfavorable.......................... -3
Very Unfavorable.................................. -4
DON'T KNOW/NO OPINION .... -5

3. Thinking back to your <u>RECENT</u> contact with Columbia Gas, in the course of addressing your specific needs, did you, yourself, speak to a representative over the phone, meet a service person at your home or place of business, or both?

TELEPHONE ONLY .... -1
BOTH PHONE & IN-PERSON..... -2
IN-PERSON ONLY .... -3

4. Again, thinking back to your recent contact with Columbia Gas, what was the purpose or reason for this contact. [PROBE]

TO GET NEW SERVICE/TRANSFER SERVICE	-1
TO REQUEST AN INSPECTION/CONSULTATION	-2
TO DISCUSS A PROBLEM WITH YOUR BILL	-3
TO ASK A QUESTION ABOUT YOUR BILL	-4
TO REPORT AN EMERGENCY	-5
TO GET A METER INSTALLED OR CHANGED	-6
TO HAVE EQUIPMENT REPAIRED	-7
TO ARRANGE A PAYMENT AGREEMENT	-8
TO REPORT A PROBLEM WITH SERVICE (PERFORMED OR NOT)	-9
TO APPLY FOR/QUALIFY FOR PAYMENT ASSISTANCE	-A
TO ASK ABOUT COMPANY PROGRAMS AND SERVICES	-B
OTHER____________________	-C
DON'T RECALL	-D

5. **(IF Q3 = 1 OR 2, ASK)** As a result of your initial phone contact did your question, problem, or service need require follow up on behalf of Columbia Gas?

YES	-1
NO	-2

(IF Q4 IS 1 ASK, OTHERWISE SKIP TO Q7)

6. Are you a new Columbia Gas customer?

YES	-1
NO	-2

7. Thinking about your overall evaluation of your recent Columbia Gas service contact, would you say you were...

Very Satisfied	-1
Satisfied	-2
Somewhat Dissatisfied	-3
Very Dissatisfied	-4
DON'T KNOW/REFUSED	-5

7A) Why do you feel this way?

____

7B) **(ASK IF Q3=1 OR 2)** Now, thinking about your TELEPHONE CONTACT experience, overall, would you say you were...?

Very Satisfied	-1
Satisfied	-2
Somewhat Dissatisfied	-3
Very Dissatisfied	-4
DON'T KNOW/REFUSED	-5

8. We have prepared a list of statements people often give as reasons for having satisfactory or unsatisfactory experiences when dealing with a utility company. I would now like you to rate your actual contact with Columbia Gas by telling me how well the statement describes your experience. To do so, use a 7-point rating scale with the higher the number the more you agree with the statement. For example, a 7 would mean you strongly agree that the statement describes your contact and a 1 means you strongly disagree. You can use any number between 1 and 7.

(IF Q3 IS 3 SKIP TO Q14)
(DON'T KNOW = 8: DO NOT READ)

8A. The first series of statements relate to how your phone contact was handled by the Columbia Gas representative. Thinking back to when you called Columbia Gas, how strongly do you agree that...

8B. Would you say that was better (3), worse (1) or about what you expected (2)?

ROTATE	**Q8A**	**Q8B**
[ ]the line was not busy	____	____
[ ]you did not have to wait to speak with a representative	____	____
[ ]you did not have trouble getting to the right person	____	____
[ ]the service representative was courteous	____	____
[ ]they did an excellent job of handling your request or question	____	____
[ ]the representative provided satisfactory answers to your questions	____	____
[ ]your question or request was easily understood by the service representative	____	____
[ ]they acted like they respected you as a customer	____	____
[ ]the representatives seemed knowledgeable	____	____
[ ]they took the time to address your needs	____	____
[ ]your question or request was handled quickly and easily	____	____
[ ]the telephone hours were convenient	____	____
*[ ] you were told when services would be performed	____	____
*[ ] the time arranged for service was convenient for you	____	____
*[ ] the services were performed when promised	____	____

*** ASK ONLY IF Q5 = 1**

9 Again thinking about this specific service experience, how many times did you have to call and speak to a Columbia Gas representative before your needs were taken care of?

________________RECORD NUMBER

10. How many times were you transferred during your telephone contact?

________________RECORD NUMBER

10A. Do you have any comments or suggestions about how phone contact with Columbia Gas could be improved?

____

____

ASK THE FOLLOWING ONLY IF Q3=2;
IF Q3=1, SKIP TO Q15

11. Did you schedule an appointment for a service person to come to your home or place of business?

YES .... -1
SKIP TO Q14—————————> NO .... -2

12. And, in terms of accommodating your individual scheduling needs or preferences, would you say Columbia's efforts were...

Excellent .... -1
Good .... -2
Fair .... -3
or poor .... -4
DON'T KNOW/REFUSED .... -5

12A. Thinking about Columbia's willingness to offer scheduling options, would you say you were....

Very Satisfied .... -1
Satisfied .... -2
Somewhat Dissatisfied .... -3
Very Dissatisfied .... -4
DON'T KNOW/REFUSED .... -5

12B. How satisfied were you with the amount of control you had in scheduling this appointment? Would you say you were...

Very Satisfied .... -1
Satisfied .... -2
Somewhat Dissatisfied .... -3
Very Dissatisfied .... -4
DON'T KNOW/REFUSED .... -5

12C. Which one of the following five options would you prefer to be given for scheduling service appointments with Columbia Gas. **(READ ENTIRE LIST)**

Weekday mornings from 8AM to Noon or Afternoons from Noon to 4PM .... -1
Within a Two hour time frame Weekdays from 8AM to 4PM .... -2
Weekday Evenings from 5PM to 8PM .... -3
Saturday Mornings from 8AM to Noon .... -4
Call 30 minutes prior to arrival for service .... -5
DON'T KNOW .... -6
NONE/NO OTHER .... -7

14. I would now like for you to think about the Columbia Gas service representatives who performed the work at your home or business. Using a 7-point rating scale where the higher the number the more you agree the statement describes your experience, how strongly do you agree that....

(DON'T KNOW = 8: DO NOT READ)

14A. Would you say that was better (3), worse (1) or about what you expected (2)?

	Q14	Q14A
[ ]the service representative came when promised	____	____
[ ]the services were performed efficiently	____	____
[ ]the service representative was courteous	____	____
[ ]they did an excellent job of performing the job they were sent to do	____	____
[ ]the representative provided satisfactory answers to your questions	____	____
[ ]they acted like they respected you as a customer	____	____
[ ]the representatives seemed knowledgeable	____	____
[ ]they took the time to address your needs	____	____
[ ]the service person took the time to explain what work was done	____	____
[ ]they showed concern for your property	____	____
[ ]they did an excellent job of restoring any property involved in their work	____	____

14B. Do you have any comments or suggestions about how your in person service contact with Columbia Gas could be improved?

____

____

15. Now, I'd like you to think about the amount of time it took to fulfill your service request. Was your service request or problem resolved within a reasonable amount of time?

YES .... -1
NO .... -2
DON'T KNOW/REFUSED .... -3

15A. Specifically, how long did it take from the time of your initial contact with Columbia Gas until (the work you requested was completed/your problem was resolved)?

Problem was resolved (specify time)____________ ..... -1
PROBLEM STILL NOT RESOLVED......................... -2

16. Compared to what you expected, was this amount of time...

More .... -1
Less .... -2
SKIP TO Q17 ——————> or, About the same .... -3

16A. About how much time did you expect it to take to complete your service or resolve your problem?

____

17. Assuming for a moment that you could choose your gas company, given everything you know, how likely would you be to stay with Columbia Gas? Would you say...

Very likely .... -1
Somewhat likely.................................... -2
or not at all likely .... -3

(IF BUSINESS/COMMERCIAL ACCOUNT, THANK RESPONDENT) Finally, the last few questions will help us group your answers with others we have interviewed.

18. Who in your household is primarily responsible for paying your utility bills?

YOURSELF .... -1
SPOUSE.. -2
OTHER____________ .... -3

19. Are you...

Married.. -1
Single/never married .... -2
Divorced/separated............................... -3
or Widowed?.. -4
REFUSED... -5

19A. **(IF MARRIED)** Do both you and your spouse work?

YES .... -1
NO .... -2

20. Including yourself, how many people are currently living in your household?

ONE .... -1
TWO .... -2
THREE.. -3
FOUR... -4
FIVE OR MORE..................................... -5
REFUSED... -6

21. Do you own or rent your home?

OWN .... -1
RENT .... -2

22. What was the last grade of school you, yourself, completed?

HIGH SCHOOL OR LESS	-1
SOME COLLEGE	-2
COLLEGE GRADUATE	-3
REFUSED	-4

23. Which of the following categories best describes your age?

18 to 24	-1
25 to 34	-2
35 to 44	-3
45 to 54	-4
55 to 64	-5
65 or over	-6
REFUSED	-7

24. Is your total annual household income, before taxes...?

Over	-2
or under $35,000	-1
REFUSED/NO ANSWER	-3
IF UNDER	
is it over	-2
or under $25,000	-1
REFUSED/NO ANSWER	-3
IF OVER	
is it over	-2
or under $50,000	-1
REFUSED/NO ANSWER	-3

ASK IF (Q7 = SOMEWHAT/VERY DISSATISFIED) OR IF (Q15A = 2 AND Q16 = 1)

25. **IF Q7 = SOMEWHAT/VERY DISSATISFIED**: Earlier you said you were..**(ANSWER FROM Q7)**...with the way your service request was handled.

IF Q7 = VERY SATISFIED OR SATISFIED AND (Q15A = 2 AND Q16 = 1): Earlier you said that your problem is still not resolved.

Columbia Gas wants to provide excellent service to all its customers. Do you want a representative of Columbia Gas to contact you to discuss your problems further.

YES	-1
NO	-2
IMMEDIATE RESOLUTION FORM	-3

ASK IF Q25 = 2 (NO)

26. Is there anything that Columbia Gas can do in the future to better serve you as a customer?

Other(Specify).. -1
DON'T KNOW.. -2
NONE/NO OTHER .... -3

THANK RESPONDENT.

Verify Name________________________________
Address________________________________
City________________________________
State__________________ Zip__________

Sex:
Male -1
Female -2

Phone #______________________

CUSID_____________

Transaction Type:
Establish Service (ES)........................-1
Inspect/Consult (IC)..........................-2
Billing Inquiry (BI)............................-3
Emergency Service (EM)...................-4
Meter Activities (MA)........................-5
Billing (BG) ....-6
Credit (CR)..-7
Order Inquiries (OI)...........................-8
Customer Assistance (CA).................-9
Miscellaneous (MS)............................-A
Service Miscellaneous (SM)..............-B

Date order taken ____________________________
PSID # ______________________(9 digit)
SEQ # _______________________(3 digit)
PCID #_______________________(8 digit)
Area_________________________
DATE CALL COMPLETED_________
INTERVIEWER NAME________________

SURVEY TYPE:

LONG ....-1
SHORT ....-2
PLANT...-3

Columbia Gas

1996 Customer Service Research

Annual Report

Prepared February 1997

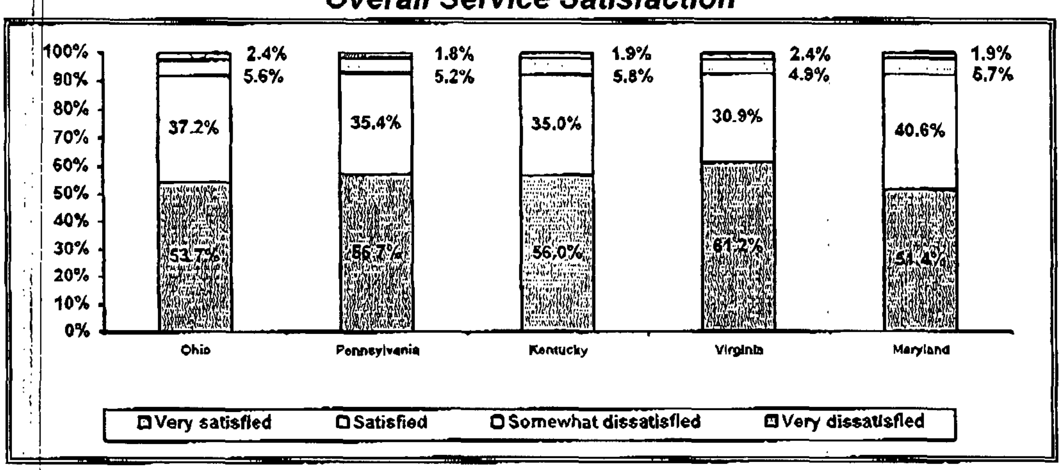
Table of Contents

Company Overviews

While there will always be a need for focused efforts to generate high levels of customer service satisfaction, consideration of these survey results, from an overall perspective, does little to identify strengths and weaknesses. The overall results are helpful in providing context and permitting some detailed subcell analysis. In fact, following this review of the individual operating companies, special issues within many of the different transaction types will be explored. Nevertheless, efforts to meaningfully impact improvements must start at the individual operating company level.

Performance of the five companies in the system varies widely, with as many as ten percentage points difference in customers stating they were "very satisfied" separating the strongest company and the weakest. What is interesting is not the simple report card findings but rather an identification of what may be driving these differences. The graphic below summarizes the overall service satisfaction results by company for the year.

Overall Service Satisfaction

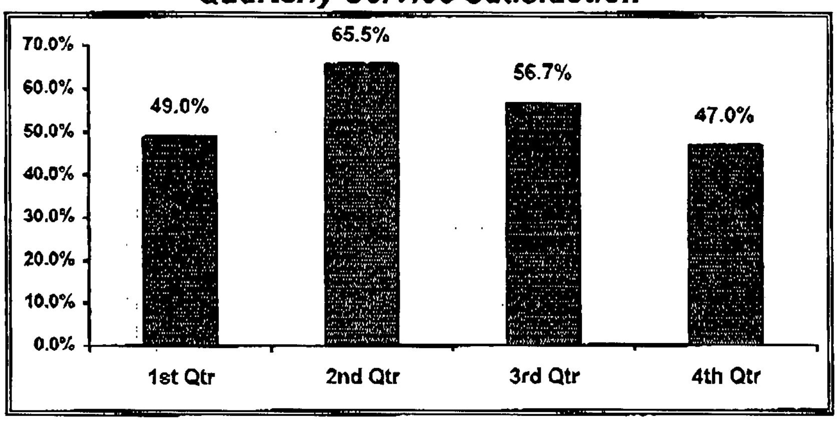


To gain a clearer understanding of the respective strengths and weaknesses of each company, the following analyses are compared to average company performance as opposed to the total of all survey respondents, which over represents some of the companies.

Columbia Gas of Kentucky

Columbia Gas of Kentucky exhibits some of the most volatile service satisfaction ratings of all of the operating units. At the start of the survey year, this company had the lowest rating in the first quarter. Then, by way of contrast, the second quarter gains, exhibited throughout all of the companies were most strikingly illustrated here, with an increase ranking it the highest among all the companies. Finally, the satisfaction score recorded in the fourth quarter of the year is again the lowest of any of the companies.

Quarterly Service Satisfaction



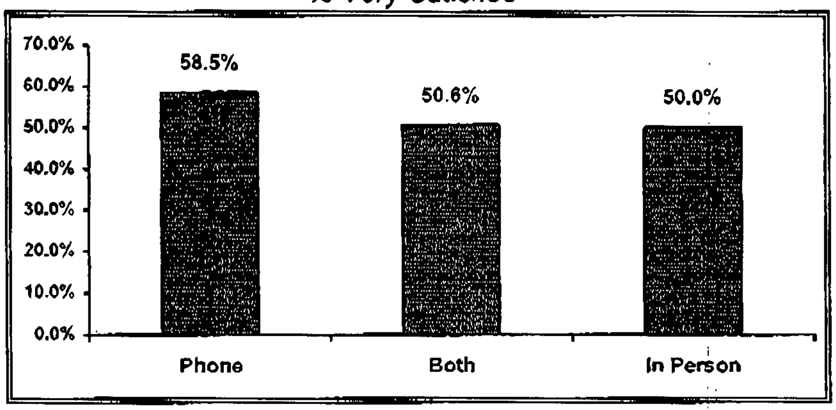
As should be expected, the slippage revealed in the fourth quarter for CKY is a function of deterioration of performance relative to bill-related contacts - Billing Inquiry, Billing-related phone contacts, and Customer Assistance. While this is a logical seasonal pattern, it fails to identify this company's weakest service function. It has been evident in prior quarterly reviews that Kentucky performs decidedly less well with Service Orders. More specifically, contacts requiring follow-up from the customer's perspective appear to be problematic. For these types of contacts, only 45.6% report being "very satisfied" as compared to 73.4% among those feeling no follow-up was needed. In a certain sense, this suggests that the phone representatives are doing an excellent job and that failures are occurring in the field. When the satisfaction scores for individual transaction types are considered, this conclusion is reinforced.

	% Very Satisfied	Index
Service Orders		
Establish Service (OS, CN)	52.4%	90
Inspect-Consult/SM (SM, SC, SI, SO, CO)	70.9%	115
Billing Inquiry (HB, RR)	41.2%	95
Emergency Service (PR)	64.9%	95
Meter Activities (RA, MC, RD, RX)	47.2%	89
Phone Contacts		
Billing	53.5%	102
Credit	60.2%	103
Order Inquiries	61.1%	108
Customer Assistance	45.5%	78
Miscellaneous	51.1%	106

One can see consistently above average performance with respect to phone contacts and generally weak Service Order scores. Similarly, when satisfaction is considered in light of the method of contact, the result again suggests that Kentucky has a weakness in field delivery service.

Method of Contact

% Very Satisfied



It is important to recognize that the slippage in satisfaction among customers requiring a service visit or meeting a service person at their home or business does not necessarily entail poor performance with the service visit. In fact, a review of the *In-person* attributes reveals an acceptable level of performance. This is not to suggest there is no room for improvement. Areas of weakness rest within the Courtesy Factor (including property restoration, explaining the work done, and respecting the customer). Additionally, the lowest performance index has to do with performing the work when promised.

Response Factor	Mean	Index	Goals
The services were perfomed efficiently	6.77	101	100
The rep provided satisfactory answers to your questions	6.52	100	96
They did an excellent job of performing the job they were sent to do	6.73	101	99
Courtesy Factor			
They took the time to explain what work was done	6.44	98	95
They did an excellent job of restoring any property	6.48	97	95
They showed concern for your property	6.64	99	98
They acted like they respected you as a customer	6.49	98	95
The service representative was courteous	6.77	100	100
They took the time to address your needs	6.53	100	96
Competency Factor			
The representatives seemed knowledgeable	6.79	101	100
The service representative came when promised	6.23	96	92

These scores alone seem insufficient to explain the decidedly weaker satisfaction levels of contacts requiring an in-person visit. Given that the lowest rating involves *coming when promised*, the question arises as to whether the issue is not field performance but, rather, coordination-related. An indication of this possibility is seen when phone attributes are reviewed. Like the in-person assessments, these evaluations are generally around average for all the companies and seem acceptable with the exception of the Delivery Factor issues. Here, a potential coordination problem is suspect.

Response Factor	Mean	Index	Goals
The rep provided satisfactory answers to your questions	6.66	102	99
Your questions/request was handled quickly and easily	6.49	99	97
They did an excellent job of handling your request/question	6.41	98	96
Courtesy Factor			
The service representative was courteous	6.75	100	101
Your questions/request was easily understood by service rep	6.74	101	101
They acted like they respected you as a customer	6.61	100	99
They took the time to address your needs	6.49	99	97
Competency Factor			
You did not have trouble getting to the right person	6.65	100	99
The representatives seemed knowledgeable	6.62	100	99
Convenience Factor			
The telephone hours were convenient	6.72	101	107
The line was not busy	6.33	99	100
You did not have to wait to speak with a representative	6.20	98	98
Delivery Factor			
You were told when service would be performed	6.29	97	95
The time arranged for service was convenient	6.24	97	95
The services were performed when promised	6.02	94	91

The weakness revealed here with *arrangement of services* and *execution when it was promised* suggests a need for improvement. This could simply involve a communication issue, or timing expectations, or perhaps scheduling procedures. Regardless of the cause, there is a breakdown between the initial customer call and subsequent service delivery.

The problem is seen most clearly in the context of expectation performance. The findings are summarized in the table below.

Expectation Failures

Phone	KY	Average
Response Factor	6.2%	5.8%
Courtesy Factor	3.2%	3.2%
Competency Factor	2.9%	3.1%
Convenience Factor	4.4%	3.7%
Delivery Factor	13.7%	9.1%
Average	6.1%	5.0%
In-person		
Response Factor	6.5%	4.9%
Courtesy Factor	5.7%	3.3%
Competency Factor	6.8%	4.1%
Average	6.3%	4.1%

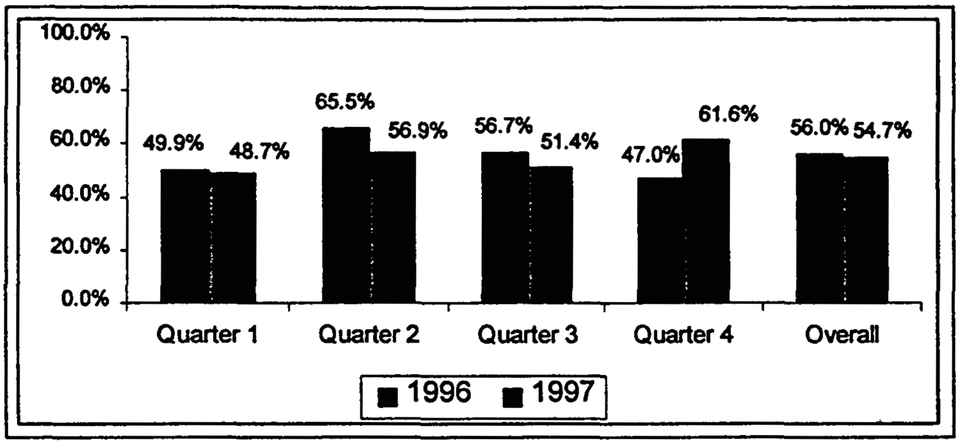
Serious failure is noted in the Phone Delivery Factor and weakness is apparent in all the *In-person* expectation scores. Regarding phone expectations, the weak Delivery Factor is driven almost exclusively by failure surrounding *service being performed when promised* - a total of 22% stated that their expectations were not met. Similarly, with reference to in-person issues, 10% stated that the performance relative to the service person *coming when promised* fell short of expectations. Unquestionably, this is a problem area for Kentucky. The remainder of the in-person weaknesses are no doubt influenced by this failure. When a customer expects service at one time and it is delivered at another, little can be done to overcome the customer's frustration. This begins the in-person contact on negative footing, which then requires exceptional performance for service recovery. This dilemma concerning on-time performance is unquestionably the single biggest contributor to Kentucky's lower scores.

Year End Review

The quarterly reports have chronicled issues faced by Columbia Gas of Kentucky throughout the year and pinpointed problem areas as they occurred. At the same time, it is helpful to review the results and look at 1997 and how performance ratings compare to 1996.

In terms of contact satisfaction, the company's rating for 1997 is just slightly lower than that for 1996, with CKY having weaker performance during the second and third quarters, but ending the year on a high note. Therefore, while seasonality was at play, other issues eroded customer satisfaction during 1997.

Contact Satisfaction



The first step in evaluating what happened during the past year is to assess satisfaction among the various types of contacts. The overview shows that compared to last year, CKY did a bit better with service orders and a bit worse with phone contacts. These findings begin to reinforce what has been highlighted throughout the analysis each quarter. The problem among phone orders has been with customer bills, exhibited as credit issues in this categorization. During both the second and third quarter, problems with handling bills eroded overall satisfaction for the quarter.

Another area that caused problems for CKY involved service orders as they relate to delivery of service. Again, some weakness is shown in the ratings for billing problems. And while this is always a difficult type of transaction to satisfy, the ratings this year fell compared to last year. In other areas, CKY generally handles the initial contact well, but falls short in scheduling and then performing the service in a timely manner. Some of the problems were probably a function of the increased volume of calls that the company experienced early in the year. At the same time, performance did rise during the fourth quarter. If this level of performance can be maintained, overall scores should rise.

	Year End 1996	Year End 1997
Service Orders	55.5%	56.3%
Establish Service (OS,CN)	52.4%	59.3%
Inspect-Consult	70.9%	55.9%
Billing Inquiry	41.2%	37.0%
Emergency Service	64.9%	68.1%
Meter Activities	47.2%	46.8%
Phone Contacts	57.1%	53.9%
Billing	53.5%	54.3%
Credit	60.2%	52.0%
Order Inquiries	61.1%	66.3%
Miscellaneous	51.1%	25.7%

As with transaction types, the attributes relate a similar story. The ratings for CKY show that in several areas performance is at goal, with the goal being the score needed to meet customer expectations. The company reps do well in the Response, Courtesy, Convenience, and Competency areas, with scores at or near goal. The strongest ratings are noted in the area of Convenience. The Delivery area is in need of improvement. The key is identifying ways to schedule the service for convenient times and then ensuring that the service is performed as promised. Once customer expectations are established, they must be met.

PHONE ATTRIBUTES	Goal	1996 Mean	1997 Mean	1997 Index to Goal
Response Factor	6.7	6.58	6.65	99
The representative provided satisfactory answers to your questions	6.7	6.66	6.64	99
Your question or request was handled quickly & easily	***6.7***	***6.49***	***6.65***	***99***
Courtesy Factor	6.7	6.65	6.67	100
The service representative was courteous	6.7	6.75	6.7	100
Your question or request was easily understood by the service representative	6.7	6.74	6.72	100
They acted like they respected you as a customer	***6.7***	***6.61***	***6.59***	***98***
They took the time to address your needs	***6.7***	***6.49***	***6.68***	***100***
Competency Factor	6.7	6.64	6.70	100
You did not have trouble getting to the right person	6.7	6.65	6.75	101
The representatives seemed knowledgeable	***6.7***	***6.62***	***6.64***	***99***
Convenience Factor	6.3	6.42	6.54	104
The telephone hours were convenient	6.3	6.72	6.78	108
The line was not busy	6.3	6.33	6.52	103
You did not have to wait to speak with a representative	6.3	6.20	6.33	100
Delivery Factor	6.6	6.18	6.26	95
You were told when services would be performed	***6.6***	***6.29***	***6.26***	***95***
The time arranged for service was convenient	6.6	6.24	6.16	93
The services were performed when promised	***6.6***	***6.02***	***6.35***	***96***

The attributes most closely linked to satisfaction are as follows. Efforts to improve performance in these areas will ultimately result in improved overall satisfaction ratings.

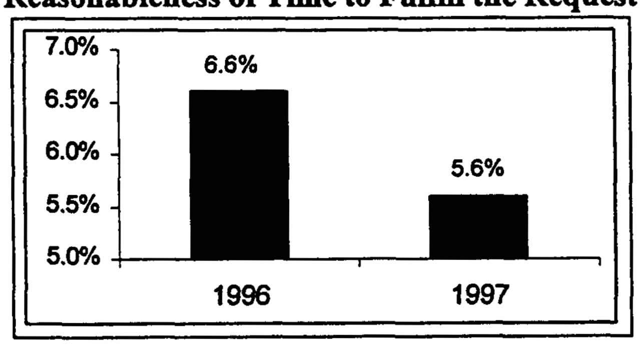
Your question or request was handled quickly & easily
They acted like they respected you as a customer
They took the time to address your needs
The representatives seemed knowledgeable
You were told when services would be performed
The services were performed when promised

Generally, the scores for In-person contacts are higher than those for phone contacts. The Field personnel have the opportunity to close the loop for customers and to provide them visible service, which usually results in a positive response. This pattern is evident in the ratings for CKY personnel, with these scores near or at goal in most areas. The most difficult aspect of these contacts involves customer interaction and ensuring that Field personnel provide adequate answers and are knowledgeable. While CKY fell short during part of the year, scores rose during the fourth quarter.

IN PERSON ATTRIBUTES	Goal	1996 Mean	1997 Mean	1997 Index to Goal
Response Factor	6.8	6.65	6.74	99
The services were performed efficiently	6.8	6.77	6.77	100
The representative provided satisfactory answers to your questions	6.8	6.52	6.7	99
Courtesy Factor	6.8	6.56	6.80	100
They took the time to explain what was done	6.8	6.44	6.71	99
They did an excellent job of restoring property	6.8	6.48	6.82	100
They showed concern for your property	6.8	6.64	6.78	100
They acted like they respected you as a customer	6.8	6.49	6.87	101
The service representative was courteous	6.8	6.77	6.87	101
They took the time to address your needs	6.8	6.53	6.77	100
Competency Factor	6.8	6.51	6.74	99
The representatives seemed knowledgeable	6.8	6.79	6.75	99
The service representative came when promised	6.8	6.23	6.72	99

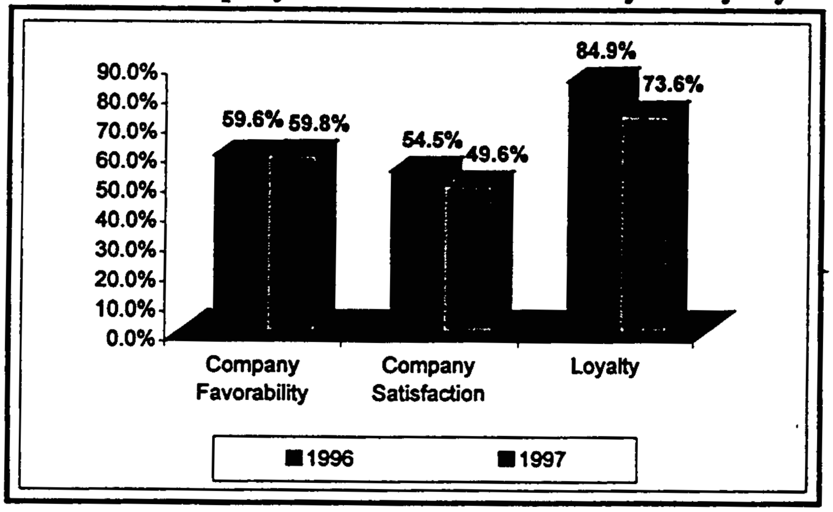
One of the measures that reinforces improvement in the Delivery Factor is timeliness or the amount of time it takes to fulfill the service request. During 1997, fewer customers indicated that their service request or problem was not resolved in a reasonable time. Failure in this area will surely create dissatisfaction. As such, improvements here will lift overall performance scores.

Reasonableness of Time to Fulfill the Request



CKY suffered a less significant decline in contact satisfaction for 1997 than some of the other companies. As such, it is not surprising to see weaker negative influence on overall company imagery, favorability, and loyalty. Nevertheless, even minimal declines and changes in the industry can have negative impact on customers' more general perceptions of the company.

Overall Company Satisfaction/Favorability & Loyalty



This review identifies several areas of focus for Columbia Gas of Kentucky for the coming year:

☑ Monitor volume demands to ensure that an increase in volume does not result in diminished customer service. Plans should be in place to handle unexpected increases. An important point to remember is that customers are more willing to accept small problems with access, such as being put on hold or experiencing a busy signal, rather than operators who rush through a call and do not complete the process.

☑ Billing problems should be a key area of focus. Personnel should be trained to handle these well, so that customers feel they are receiving adequate respect and concern for their needs. Training should be repeated and reinforced seasonally as needed, and supervisors should monitor and work with operators in this area. Any changes in costs or bills will trigger calls and should be anticipated.

☑ Service scheduling and delivery should be coordinated and monitored. This was a problem for most of the year, although the system seemed to be working much better during the 4th quarter. The changes that resulted in improved results during the end of the year should be reviewed to ensure that systems are in place to replicate this level of excellence.

☑ Field personnel need to be reminded that they are the "face of the company" and that their actions help to mold company imagery among customers. They should take time to explain the process and the work to customers and ensure that customers feel they are being treated with respect and concern.

Strategic Marketing & Research, Inc.

9200 Keystone Crossing
Suite 400
Indianapolis, Indiana 46240

317-574-7700
800-424-6270
FAX: 317-574-7777

Columbia Gas of Kentucky

Customer Service Contact Satisfaction

Fourth Quarter, 1998

Prepared January 1999

Background

Competition is soon to become a reality for the utility industry. As such, the role of customer service becomes increasingly important. Not only do customers' service perceptions play a critical role in attitudes and likely behaviors surrounding choice, the extension of utilities into other non-regulated products and services demands a relationship of solid trust and excellent past performance.

Historical interactions between customers and their utility were relationships of necessity. In the future, these interactions may be more frequent, of greater breadth and purpose, and a function of customer choice. In the past, excellent customer service was important to building the image of utilities, strengthening their relationships, enhancing corporate pride and employee morale, and even minimizing problems with public service commissions. Today and in the future, excellent customer service is and will be but one element of a competitive strategy.

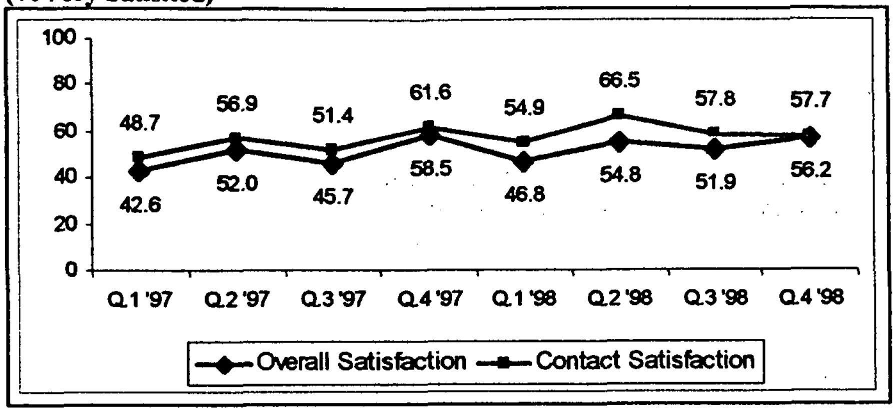
Columbia Gas of Kentucky is committed to providing excellent customer service. This assessment program is evidence of the continuing pledge to provide and measure customer service. Rather than simply focusing upon service performance at one point of contact, or only with particular types of interactions, a consistent *customer service measurement model* was established for various types of customer-initiated interactions. These include:

Call Center Contacts. The call center receives the greatest number of customer contacts. Generally, this is the initial point of contact for most customer needs or questions. These can be as simple as inquiries about the amount customers currently owe, or how to read a bill, to service requests and emergency service needs. At the Columbia Gas of Kentucky call center, hundreds of thousands of calls are handled each year. Eventually, nearly all customers will have a telephone contact at some point in their relationship with the utility.

In-person Follow-up Contacts. Interactions with the call center are similar to customers' calls to any company. Nonetheless, the actual delivery of service, which might range from outages and emergencies to turn-ons and transfers, is clearly more specifically related to Columbia Gas of Kentucky's core energy delivery business. Although these contacts represent fewer transactions than the telephone contacts with the call center noted above, they are very important because they represent a face-to-face service delivery.

Looking at results on a quarterly basis over the past two years, it is evident that Columbia Gas of Kentucky is heading in the right direction. On the measures of Overall Satisfaction and Contact Satisfaction, we see that the trend is positive. Contact Satisfaction, for the most part, has been about 5% points higher than the Overall Satisfaction measure, but both measures appear closely related and generally move in the same direction.

Overall Satisfaction and Contact Satisfaction
(%Very Satisfied)



While the overall trend is positive, a closer look at the Contact Satisfaction rating shows "mixed" results. Comparing the fourth Quarter 1998 rating to the 3rd Quarter measurement reveals that the rating is virtually unchanged. However, when Fourth Quarter 1998 is compared to Fourth Quarter 1997 (57.7% vs. 61.6%) the data reveal a drop in Contact Satisfaction. Finally, when looking at the Contact Satisfaction rating for the entire 1998 year (not shown above) versus the rating for 1997, the rating has increased overall by about 5% over the past year.

Attribute Performance Ratings

Within the context of evaluating Contact Satisfaction, a number of service elements, which we refer to as attributes, are included. Some of these attributes come into play during a telephone contact, while others come into play during an in-person visit with a customer. Because the telephone contact was the most frequent means of contact for Columbia Gas of Kentucky customer respondents, these ratings will be addressed first.

Phone Attributes

There are fourteen specific attributes included in the evaluation of the telephone contact. These fourteen attributes group into five factors or general categories. The results reported in the table below show the percentage of customers who agreed that the statement described Columbia Gas of Kentucky's service. ("Agree" means they rated the statement a "7" "6," or "5" on a 7-point scale, where 7 means they "strongly agree" with the statement and 1 means they "strongly disagree.")

The good news is that during the fourth quarter the ratings increased in every one of the fourteen attributes when compared to third quarter results Additionally, the overall average for 1998 is above the 90% level for every telephone attribute.

% Agree and Strongly Agree

PHONE ATTRIBUTE SCORES (% rating "7", "6", or"5" on a 7-point scale)	Q. 1 1998	Q. 2 1998	Q. 3 1998	Q. 4 1998	YTD 1998
Response Factor	**97.9**	**92.9**	**89.7**	**96.0**	**94.1**
The representative provided satisfactory answers	97.2	95.2	91.4	95.1	94.7
Question/request was handled quickly & easily	98.6	90.6	87.9	96.8	93.5
Courtesy Factor	**97.5**	**94.3**	**89.3**	**96.8**	**94.5**
The service representative was courteous	97.1	95.3	92.2	98.3	95.7
Your question/request was understood by rep.	97.0	95.1	84.7	95.8	93.2
They acted like they respected you as a cust.	96.7	93.9	90.3	96.8	94.4
They took the time to address your needs	99.3	92.8	90.1	96.4	94.7
Competency Factor	**93.3**	**94.4**	**94.0**	**97.1**	**94.7**
Did not have trouble getting to right person	91.3	92.8	93.3	97.3	93.7
The representatives seemed knowledgeable	95.2	96.0	94.6	96.9	95.7
Convenience Factor	**91.3**	**96.9**	**94.6**	**97.0**	**94.9**
The telephone hours were convenient	91.4	98.0	99.2	99.4	96.7
The line was not busy	95.9	97.9	94.0	95.7	94.3
You did not have to wait to speak with a rep.	89.4	94.7	90.7	95.8	93.8
Delivery Factor	**94.8**	**92.6**	**90.4**	**93.7**	**92.9**
You were told when service would be performed	91.4	92.5	91.0	94.6	92.4
Time arranged for service was convenient	95.9	92.1	89.1	91.4	92.1
The services were performed when promised	97.1	93.2	91.1	95.2	94.2

The table below shows the percentage of customers who "strongly agree" that the statement describes the service they received from Columbia Gas of Kentucky.

% Strongly Agree Only

PHONE ATTRIBUTE SCORES (% rating "7" on a 7-point scale)	Q. 1 1998	Q. 2 1998	Q. 3 1998	Q. 4 1998	YTD 1998
Response Factor	**84.6**	**78.1**	**74.6**	**79.1**	**79.1**
The representative provided satisfactory answers	82.7	80.8	75.4	80.6	79.9
Question/request was handled quickly & easily	86.4	75.3	73.7	77.6	78.7
Courtesy Factor	**86.3**	**84.3**	**77.6**	**83.0**	**82.8**
The service representative was courteous	92.2	89.0	81.2	80.9	85.8
Your question/request was understood by rep.	84.9	82.0	77.6	83.4	82.0
They acted like they respected you as a cust.	82.8	83.4	76.3	84.0	81.6
They took the time to address your needs	85.2	82.8	75.3	83.5	81.7
Competency Factor	**79.7**	**79.2**	**79.3**	**79.2**	**79.3**
Did not have trouble getting to right person	77.0	77.9	76.1	78.3	77.3
The representatives seemed knowledgeable	82.3	80.5	82.4	80.0	81.3
Convenience Factor	**69.6**	**76.8**	**75.8**	**75.9**	**74.5**
The telephone hours were convenient	75.5	82.2	75.4	83.3	79.1
The line was not busy	66.9	75.1	81.0	71.7	73.7
You did not have to wait to speak with a rep.	66.3	73.2	71.1	72.6	70.8
Delivery Factor	**83.6**	**78.8**	**73.8**	**82.2**	**79.6**
You were told when serv. would be performed	82.4	78.8	77.7	77.3	79.1
Time arranged for service was convenient	81.4	74.3	66.5	83.0	76.3
The services were performed when promised	87.0	83.4	77.1	86.4	83.5

The obvious question is, if all the telephone attribute ratings are higher than last quarter, why isn't the Contact Satisfaction rating higher? Remember that the evaluation comes only from customers who have made calls to the Customer Service Center. While most of these customers will only have contact with the Customer Service Center, some calls will generate a service call to the customer's home or place of business. To get a truer picture of the overall evaluation, one needs to look at the ratings from customers who had both a telephone and in-person contact with Columbia Gas of Kentucky. The information in the table below reflects the ratings from customers who also had an in-person contact.

In-person Attributes

Ten attributes or service elements are evaluated by customers who have had an in-person contact with Columbia Gas of Kentucky. These ten attributes are grouped into three factors as shown below.

There is more good news. On an overall basis, every one of these in-person attribute ratings increased during the fourth quarter of 1998, when compared to the third quarter numbers. Again, the numbers shown in the table below represent the percentage of customers who indicated they agreed with the statement. ("Agree" means they rated the statement a "7," "6," or "5" on a 7-point scale, where 7 means they "strongly agree" with the statement and 1 means they "strongly disagree.")

% Agree and Strongly Agree

IN-PERSON ATTRIBUTE SCORES (% rating "7", "6", or"5" on a 7-point scale)	Q. 1 1998	Q. 2 1998	Q. 3 1998	Q. 4 1998	YTD 1998
Response Factor	**98.9**	**94.1**	**92.0**	**96.0**	**95.2**
The services were performed efficiently	98.8	92.9	92.5	96.9	95.3
The representative provided satisfactory answers	98.9	95.3	91.5	95.1	95.2
Courtesy Factor	**98.7**	**95.3**	**90.0**	**97.8**	**95.2**
They took the time to explain work was done	95.3	96.1	90.6	95.3	94.3
They did an excellent job restoring any property	92.3	99.9	93.6	99.9	96.4
They showed concern for your property	98.9	93.8	83.4	100.0	94.0
They acted like they respected you as customer	99.3	93.9	90.3	96.8	95.1
The service representative was courteous	100.0	95.3	92.2	98.3	96.5
They took the time to address your needs	100.0	92.8	90.1	96.4	94.8
Competency Factor	**97.2**	**93.0**	**92.2**	**96.3**	**94.7**
The representative seemed knowledgeable	100.0	92.7	93.3	97.3	95.8
The service representative came when promised	94.4	93.2	91.1	95.2	93.5

The table below shows the percentage of customers who indicated they "Strongly Agree" with these same In-Person attribute statements.

% Strongly Agree Only

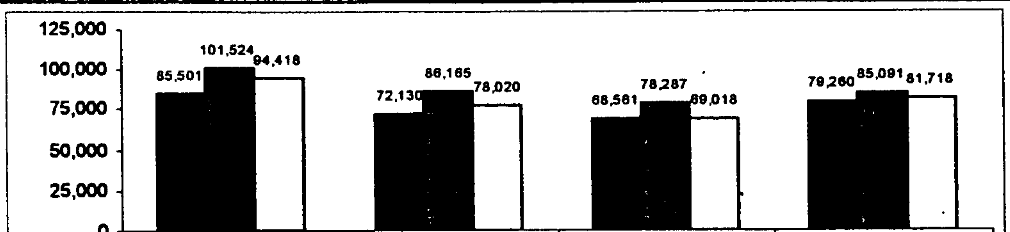
IN-PERSON ATTRIBUTE SCORES (% rating "7" on a 7-point scale)	Q. 1 1998	Q. 2 1998	Q. 3 1998	Q. 4 1998	YTD 1998
Response Factor	**76.7**	**80.1**	**76.2**	**80.7**	**78.4**
The services were performed efficiently	74.8	80.8	75.4	80.6	77.9
The representative provided satisfactory answers	78.5	79.4	77.0	80.7	78.9
Courtesy Factor	**77.2**	**82.1**	**76.3**	**86.5**	**80.5**
They took the time to explain work was done	92.1	89.0	81.2	80.9	85.8
They did an excellent job restoring any property	70.3	83.4	76.3	84.0	78.5
They showed concern for your property	83.5	82.8	75.3	83.5	81.3
They acted like they respected you as customer	69.6	78.5	74.1	83.3	76.4
The service representative was courteous	70.7	72.8	65.2	98.2	76.7
They took the time to address your needs	77.1	86.1	85.8	89.1	84.5
Competency Factor	**78.5**	**80.7**	**76.6**	**82.4**	**79.5**
The representative seemed knowledgeable	84.2	77.9	76.1	78.3	79.1
The service representative came when promised	72.7	83.4	77.1	86.4	79.9

So the question remains, if all of these attribute ratings are higher than last quarter, why isn't the Contact Satisfaction rating higher? To understand this, one must look even deeper into the results. While we have looked at the performance evaluations at the attribute level, other things seem to be influencing customers' satisfaction with Columbia Gas of Kentucky.

Call Center Volume

In addition to these service performance ratings, some operational factors can impact the Contact Satisfaction rating. One of these is the volume of calls received by the call center. Efforts to decrease the total number of calls are beginning to be realized by Columbia Gas of Kentucky. The following graph shows that call volume in 1998 is lower than in 1997. This is true on both an overall annual basis and for each individual quarter. One word of caution, call volume appears to be highest during the first quarter of each year, so expect volume to increase during the first quarter of 1999.

Comparative Call Center Volume

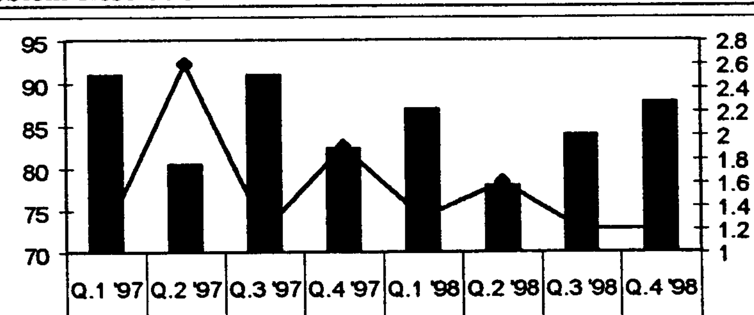


	Qtr 1	Qtr 2	Qtr 3	Qtr 4
■ CKY '96	85,501	72,130	68,561	79,260
■ CKY '97	101,524	86,165	78,287	85,091
□ CKY '98	94,418	78,020	69,018	81,718

Percent of Calls Resolved on First Contact

One interpretation for lower call volume is that customer problems are being resolved with only one call. The more frequently a customer's issue is resolved with only one call, the lower the overall number of calls received. As the following graph reveals, there is an inverse relationship between the percentage of calls handled on the first call and the average number of contacts to resolution. That is, as the average contacts to resolution goes down, the percentage of calls handled on the first contact goes up and, usually, Contact Satisfaction with the call.

Call Center – Problem Resolution



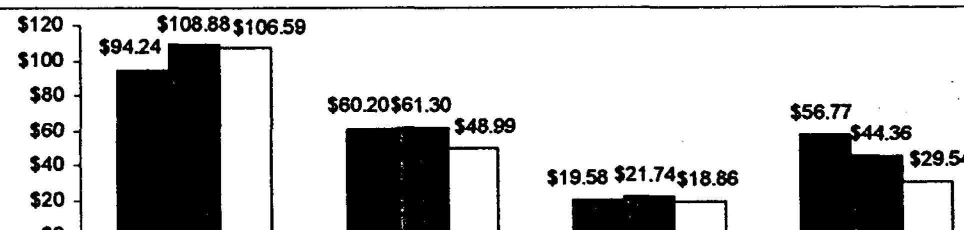
	Q.1 '97	Q.2 '97	Q.3 '97	Q.4 '97	Q.1 '98	Q.2 '98	Q.3 '98	Q.4 '98
% One Call	90.9	80.5	90.9	82.3	86.9	77.9	83.9	87.7
Average Contacts	1.2	2.6	1.2	1.9	1.3	1.6	1.2	1.2

Average Bill Amount

A second factor to consider when investigating call volume is the reason why customers call. It is normal for certain types of contacts to dominate during specific times of the year. For a gas utility company, it is common to see contact increases in the first and fourth quarter relating to billing problems/questions. These are times (Fall and Winter) when the outside temperature is generally colder than the Spring and Summer months, and therefore people use more gas to warm their homes. The more gas they use, the higher their monthly bills.

There is reason to believe that the average bill amount that a customer pays, compared to their expectations, will impact their satisfaction. The graph below does indicate that the average billing amount did increase somewhat in the fourth quarter, compared to the third quarter. However, overall contact satisfaction is still about the same as third quarter. This indicates that although the average monthly bill increased, the increase during the fourth quarter was not as large as one might expect. This was a result of a very mild fourth quarter for 1998. The graph also shows that the average bill amount during 1998 was lower than the average bill amount during 1997, for *every* quarter.

Average Bill Amount



	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
■ 1996	$94.24	$60.20	$19.58	$56.77
■ 1997	$108.88	$61.30	$21.74	$44.36
□ 1998	$106.59	$48.99	$18.86	$29.54

Reason for Contact

While the volume of calls received decreased compared to both last quarter and to the fourth quarter 1997, the percentage of calls received pertaining to billing was very high. Billing issues represented nearly one-half of all telephone contacts received. Due to their sheer number, these billing contacts heavily influenced the overall telephone contact satisfaction rating.

Reason for Contact

Respondents	Qtr. 1 1998 (361)	Qtr. 2 1998 (361)	Qtr. 3 1998 (362)	Qtr. 4 1998 (304)	Total 1998 (1388)
Turn-ons	20.3%	25.7%	21.5%	21.2%	22.2%
Service Requests	15.8%	18.0%	21.5%	20.5%	18.9%
Bill Problems	44.7%	39.4%	38.4%	46.7%	42.3%
Pay Bills	12.4%	13.3%	14.8%	8.3%	12.2%
Other	6.8%	3.6%	3.8%	3.3%	4.4%

In addition to the number of bill problem calls, this group also heavily impacts the Contact Satisfaction rating because these types of calls are more difficult to satisfy from the customer's perspective. The table below shows that of the five call type classifications, Bill Problem is not only the most common, it is the classification with the lowest percentage of *very satisfied* customers. A second classification of contact that seems to be negatively impacting the contact satisfaction rating is Service Request. Together, Bill Problem and Service Request account for about two of every three calls received.

Reason for Contact (Quarter 4 Only)

Reason	# of customers	% of total Contacts Qtr. 4 '98	% Very Satisfied "4" on a 4 pt. scale	% Satisfied "4 or 3" on a 4 pt. scale
Turn ons	64	21.2%	75.0%	98.4%
Service Request	62	20.5%	54.8%	93.5%
Bill Problem	141	46.7%	42.9%	97.2%
Pay Bill	25	8.3%	88.0%	92.0%
Other	10	3.3%	90.0%	90.0%

Areas of Opportunity

To understand what took place this past quarter, we need to evaluate what took place in the most frequent transactions for Columbia Gas of Kentucky. A review of transactions that occur most often within the sample population and that have significant influence on satisfaction show some diminution in customers' evaluations of performance compared to the third quarter of this year. Through regression analysis, several performance attributes were identified as critical to explaining the variation in satisfaction.

Bill Problem

"Bill problems" represent a very significant portion of total call volume and the percentage of customers who are *very satisfied* is lower than for most types of contacts. Looking at the ratings of customers with this type of contact can help to illuminate opportunities within this classification. The following table shows how customers with bill problems rate the various telephone attributes. We are looking at the percentage of people who "strongly agree" ("7" on the 7-point scale) with the attribute statement because, for most of these attributes, that's what it takes to positively impact the Contact Satisfaction rating.

PHONE ATTRIBUTE SCORES	(%Strongly Agree) Bill Problem Respondents (% 7's)	(%Strongly Agree) Overall Qtr. 4 1998 (% 7's)	(%Agree+ Strongly Agree) Bill Problem Respondents (% 7, 6, or 5)	(%Agree+ Strongly Agree) Overall Qtr. 4 1998 (%7, 6, 5)
Response Factor				
The rep. provided satisfactory answers	82.4	80.6	97.4	95.1
Question/request handled quickly & easily	77.7	77.6	99.2	96.8
Courtesy Factor				
The service representative was courteous	67.8	80.9	99.0	98.3
Your questions/request understood by rep.	79.7	83.4	96.9	95.8
Acted like they respected you as a customer	76.0	84.0	97.6	96.8
They took the time to address your needs	83.5	83.5	99.1	96.4
Competency Factor				
Did not have trouble getting to right person	75.0	78.3	97.7	97.3
The representatives seemed knowledgeable	72.5	80.0	98.0	96.9
Convenience Factor				
The telephone hours were convenient	77.2	83.3	99.8	99.4
The line was not busy	61.5	71.7	97.2	95.7
You did not have to wait to speak with a rep.	71.3	72.6	97.3	95.8
Delivery Factor				
Were told when service would be performed	81.9	77.3	97.2	94.6
Time arranged for service was convenient	83.9	83.0	91.6	91.4
The services were performed when promised	90.9	86.4	99.0	95.2

Specifically, the table shows that there are five attributes where the percentage of "bill problem" customers rating "strongly agree" is well below the percentage of total customers rating "strongly agree. These five attributes include:

- The service representative was courteous
- They acted like they respected you as a customer
- The telephone hours were convenient
- The line was not busy
- The representative seemed knowledgeable

These five attributes represent areas of opportunity on which to focus among "bill problem" contacts to positively impact Contact Satisfaction. This does not mean ignore the other attributes, but maintain the current level of good performance on these other attributes.

Service Request

This type call also presents opportunity for Columbia Gas of Kentucky. Performance on some of these attributes is below the overall average. Service requests constitute about 20% of all telephone contacts and the below average ratings for all three Delivery Factor attributes are a concern.

	(%Strongly Agree)		(%Agree+ Strongly Agree)	
PHONE ATTRIBUTE SCORES	**Service Request Respondents** (% 7's)	**Overall Qtr. 4 1998** (% 7's)	**Service Request Respondents** (% 7, 6, or 5)	**Overall Qtr. 4 1998** (%7,6,5)
Response Factor				
The rep. provided satisfactory answers	75.5	80.6	91.1	95.1
Question/request handled quickly & easily	75.2	77.6	90.2	96.8
Courtesy Factor				
The service representative was courteous	90.4	80.9	94.9	98.3
Your question/request understood by rep.	83.1	83.4	90.0	95.8
Acted like they respected you as a customer	90.5	84.0	95.1	96.8
They took the time to address your needs	79.5	83.5	91.0	96.4
Competency Factor				
Did not have trouble getting to right person	81.0	78.3	95.5	97.3
The representatives seemed knowledgeable	85.2	80.0	94.6	96.9
Convenience Factor				
The telephone hours were convenient	86.7	83.3	99.4	99.4
The line was not busy	74.5	71.7	93.7	95.7
You did not have to wait to speak with a rep.	71.8	72.6	89.5	95.8
Delivery Factor				
Were told when service would be performed	64.2	77.3	86.2	94.6
Time arranged for service was convenient	76.1	83.0	87.8	91.4
The services were performed when promised	71.9	86.4	86.1	95.2

Within this "service request" classification, the ratings for four attributes, in particular, are much below those awarded by all respondents during the fourth quarter. These attributes include:

- The representative provided satisfactory answers
- You were told when service would be performed
- Time arranged for service was convenient
- The services were performed when promised

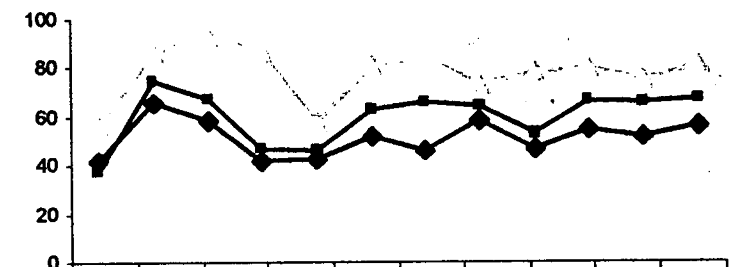
Performance for all four of these attributes is below average, which denotes the need for a refined approach. Two of these attributes have a great deal of impact on the Contact Satisfaction rating. These two attributes are:

- The representative provided satisfactory answers
- You were told when service would be performed

Overall, performance did improve during the fourth quarter of 1998, compared to third quarter results. On all three of the overall measures tracked, the results are more positive compared to third quarter, 1998. As the following chart shows, overall satisfaction continues to track closely with favorability. However, there appears to be a bit of a delay on the loyalty measure. Therefore, efforts to maintain and improve service performance among those customers who do call the company for a question or request can prove beneficial in the long term.

The chart below also shows that the wide swings in performance recorded during the first year of measurement (1996) have leveled out somewhat over the past two years, and the overall trend continues to be positive.

Overall Company Satisfaction, Favorability, and Loyalty
(% Very Satisfied, Very Favorable, Very Likely)



	Q.1 '96	Q.2 '96	Q.3 '96	Q.1 '97	Q.2 '97	Q.3 '97	Q.4 '97	Q.1 '98	Q.3 '98	Q.4 '98
Overall Satisfaction	41.5	65.6	58.7	42.6	52.0	45.7	58.5	46.8	51.9	56.2
Favorability	37.1	74.2	67.4	46.1	62.9	65.4	64.1	53.0	66.0	67.2
Loyalty	56.1	86.2	92.4	57.4	81.3	83.7	73.0	78.0	75.5	80.8

Summary

Lots of Good News!

- Overall Satisfaction, Loyalty and Favorability ratings are all higher than third quarter results and all show a positive trend.

- Contact Satisfaction is virtually unchanged from third quarter but, on an annual basis, is five percentage points higher than the 1997 rating.

Compared to third quarter results, the performance ratings for all 24 attributes are higher in the fourth quarter. (Percentage of customers "agreeing" with the attribute statement – rating 7, 6, or 5 on a 7-point scale, where 7 = "strongly agree" and 1 = "strongly disagree.")

- Call volume is down about 8% (nearly 28,000 calls) for the year, compared to 1997.

Recommendations and "Watch-outs"

- Celebrate the successes. Your customer contact personnel (both telephone and in-person) should be congratulated for the improvements realized in 1998.

- Focus continued improvement efforts on "bill problems" and "service request" contacts.

- Monitor the rating of the "telephone hours were convenient." With the development of a 24-hour service center being offered by at least one utility in the area, this may become an area of greater concern. It is already an issue for "bill problem" contacts.

- Be aware that bill amounts will most likely rise during the first quarter and, along with that, the probability of increased calls and potentially lower satisfaction. However, this is an opportunity to heighten Contact Satisfaction if service can be improved.

Strategic Marketing & Research, Inc.

9200 Keystone Crossing
Suite 400
Indianapolis, Indiana 46240

317-574-7700
800-424-6270
FAX: 317-574-7777

Columbia Gas of Kentucky

Customer Service Contact Satisfaction

Third Quarter, 1999

Prepared October 1999

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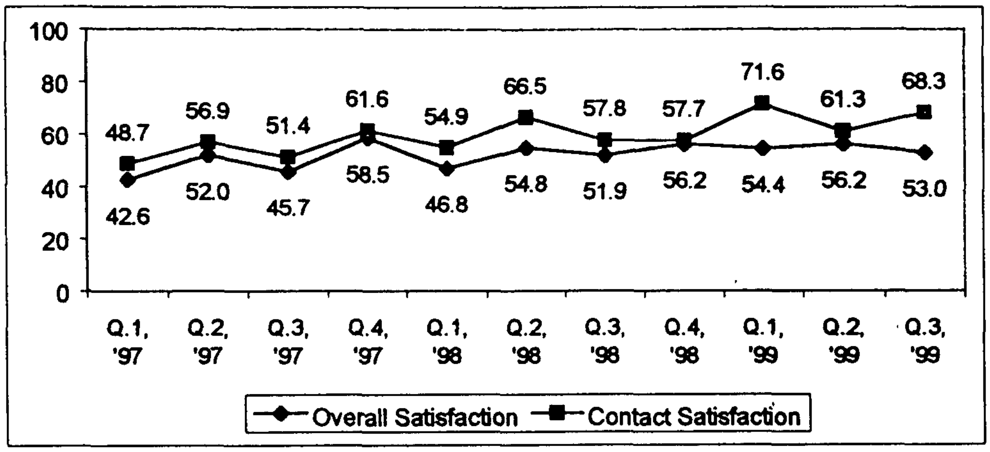
Background

Columbia Gas of Kentucky is committed to providing excellent customer service. This assessment program is evidence of the continuing pledge to provide and measure customer service. Rather than simply focusing upon service performance at one point of contact, or only with particular types of interactions, a consistent *customer service measurement model* was established for various types of customer-initiated interactions. These include:

- **Call Center Contacts**. The call center receives the greatest number of customer contacts. Generally, this is the initial point of contact for most customer needs or questions. These can be as simple as inquiries about the amount customers currently owe, or how to read a bill, to service requests and emergency service needs. At the Columbia Gas of Kentucky call center, hundreds of thousands of calls are handled each year. Eventually, nearly all customers will have a telephone contact at some point in their relationship with the utility.
- **In-person Follow-up Contacts**. Interactions with the call center are similar to customers' calls to any company. Nonetheless, the actual delivery of service, which might range from outages and emergencies to turn-ons and transfers, is clearly more specifically related to Columbia Gas of Kentucky's core energy delivery business. Although these contacts represent fewer transactions than the telephone contacts with the call center noted above, they are very important because they represent a face-to-face service delivery.

A quarterly review over the past two and three-quarter years reveals that Columbia Gas of Kentucky continues to head in a positive direction. On the measures of Overall Satisfaction and Contact Satisfaction, we see that the overall trend remains positive. However, during the most recent quarter, we see Contact Satisfaction decreased dramatically (-10%), while Overall Satisfaction rose slightly (+2%). This is the opposite of what occurred during the *first quarter* of 1999. This recent drop in Contact Satisfaction is somewhat surprising, in that during the *second quarters* of 1997 and 1998, significant increases were recorded for this measure. Of concern, is that history indicates there will be a drop in Contact Satisfaction and Overall Satisfaction in the *third quarter*. Both these measures should be continuously monitored.

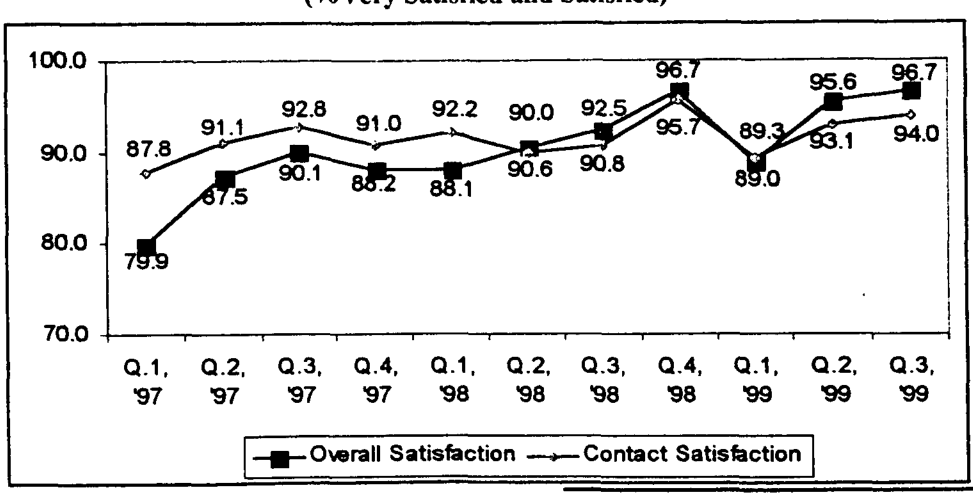
Overall Satisfaction and Contact Satisfaction
(%Very Satisfied)



While the overall trend remains very positive, the up and down "yoyo" effect continues, where the score increases one quarter and decreases the next. This is especially evident in the Contact Satisfaction measure, which is up 7% points this quarter compared to last quarter's 10% drop. The challenge for Columbia Gas of Kentucky is to smooth this trend line while maintaining the overall positive trend.

Looking at the percentage of customers who rate their Overall Satisfaction and Contact Satisfaction as "very satisfied" or "satisfied", we see a slightly different story. Columbia Gas has made a nice recovery from the temporary downward blip of the *first quarter '99* ratings. In fact, the *third quarter* score for Contact Satisfaction matches the highest score received over the life of this program. The Overall Satisfaction is the second highest recorded. This suggests that, while overall your customers are pleased, the intensity of their satisfaction may be shifting.

Overall Satisfaction and Contact Satisfaction
(%Very Satisfied and Satisfied)



Attribute Performance Ratings

Within the context of evaluating Contact Satisfaction, a number of service elements, which we refer to as attributes, are measured. Some of these attributes come into play during a telephone contact, while others come into play during an in-person visit with a customer. Because the telephone contact is normally the most frequent means of contact for Columbia Gas of Kentucky customers (over 80% report contacts by telephone), these ratings are addressed first.

Phone Attributes

Fourteen specific attributes are included in the evaluation of the telephone contact. These fourteen attributes group into five factors or general categories. The results reported in the following table reflect the percentage of customers who *agreed* that the statement described Columbia Gas of Kentucky's service. ("Agree" means they rated the statement a "7," "6," or "5" on a 7-point scale, where 7 means they "strongly agree" with the statement and 1 means they "strongly disagree").

The good news is that while slight declines were measured on nine of the fourteen attributes, the overall average is still very positive, at 97.5%. All three of the Delivery Factor measures realized increases.

% Agree and Strongly Agree

PHONE ATTRIBUTE SCORES (% rating "7", "6", or "5" on a 7-point scale)	Q. 1 1998	Q. 2 1998	Q. 3 1998	Q. 4 1998	Total 1998	Q. 1 1999	Q. 2 1999	Q. 3 1999
Response Factor	**97.9**	**92.9**	**89.7**	**96.0**	**94.1**	**95.4**	**97.8**	**97.1**
The representative provided satisfactory answers	97.2	95.2	91.4	95.1	94.7	93.7	97.3	96.6
Question/request was handled quickly & easily	98.6	90.6	87.9	96.8	93.5	97.0	98.3	97.5
Courtesy Factor	**97.5**	**94.3**	**89.3**	**96.8**	**94.5**	**93.9**	**98.3**	**97.3**
The service representative was courteous	97.1	95.3	92.2	98.3	95.7	93.3	98.5	96.7
Your question/request was understood by rep.	97.0	95.1	84.7	95.8	93.2	95.6	97.2	97.7
They acted like they respected you as a customer	96.7	93.9	90.3	96.8	94.4	89.9	99.6	97.6
They took the time to address your needs	99.3	92.8	90.1	96.4	94.7	96.6	98.0	97.2
Competency Factor	**93.3**	**94.4**	**94.0**	**97.1**	**94.7**	**95.2**	**98.6**	**98.0**
The representatives seemed knowledgeable	91.3	92.8	93.3	97.3	93.7	94.8	98.4	98.1
Did not have trouble getting to right person	95.2	96.0	94.6	96.9	95.7	95.6	98.8	97.6
Convenience Factor	**91.3**	**96.9**	**94.6**	**97.0**	**94.9**	**92.5**	**97.8**	**97.6**
The telephone hours were convenient	91.4	98.0	99.2	99.4	96.7	97.3	99.0	98.2
The line was not busy	95.9	97.9	94.0	95.7	94.3	90.8	97.3	95.9
You did not have to wait to speak with a rep.	89.4	94.7	90.7	95.8	93.8	89.4	97.1	98.6
Delivery Factor	**94.8**	**92.6**	**90.4**	**93.7**	**92.9**	**91.0**	**96.3**	**97.9**
You were told when service would be performed	91.4	92.5	91.0	94.6	92.4	88.4	97.0	97.7
Time arranged for service was convenient	95.9	92.1	89.1	91.4	92.1	94.1	96.3	98.7
The services were performed when promised	97.1	93.2	91.1	95.2	94.2	90.5	95.7	97.2

While the percentage of customers that "agreed" may have decreased slightly, the percentage who "strongly agreed" ("7" on the 7-point scale) increased for two of the five factors and on eight of the fourteen phone attributes. The factors for which rating increases were recorded are the:

- Delivery Factor (+7.8%)
- Response Factor (+1.1%)

The only factor for which a rating decrease was recorded is:

- Courtesy Factor (-1.0%)

The other two factors (Competency and Convenience were basically unchanged. The table below shows the percentage of customers who "strongly agreed" that the statement described the service they received from Columbia Gas of Kentucky.

% Strongly Agree Only

PHONE ATTRIBUTE SCORES (% rating "7" on a 7-point scale)	Q. 1 1998	Q. 2 1998	Q. 3 1998	Q. 4 1998	Total 1998	Q. 1 1999	Q. 2 1999	Q. 3 1999
Response Factor	**84.6**	**78.1**	**74.6**	**79.1**	**79.1**	**85.5**	**82.9**	**84.0**
The rep. provided satisfactory answers	82.7	80.8	75.4	80.6	79.9	85.0	83.9	82.2
Question/request was handled quickly & easily	86.4	75.3	73.7	77.6	78.7	85.9	81.8	85.8
Courtesy Factor	**86.3**	**84.3**	**77.6**	**83.0**	**82.8**	**86.3**	**88.0**	**87.0**
The service representative was courteous	92.2	89.0	81.2	80.9	85.8	89.0	91.3	87.8
Your question/request was understood by rep.	84.9	82.0	77.6	83.4	82.0	88.8	85.9	85.8
They acted like they respected you as a customer	82.8	83.4	76.3	84.0	81.6	82.2	89.2	86.0
They took the time to address your needs	85.2	82.8	75.3	83.5	81.7	85.3	85.6	88.4
Competency Factor	**79.7**	**79.2**	**79.3**	**79.2**	**79.3**	**82.8**	**85.4**	**85.5**
The representatives seemed knowledgeable	77.0	77.9	76.1	78.3	77.3	78.9	83.1	82.9
Did not have trouble getting to right person	82.3	80.5	82.4	80.0	81.3	86.6	87.7	88.1
Convenience Factor	**69.6**	**76.8**	**75.8**	**75.9**	**74.5**	**80.9**	**79.5**	**79.6**
The telephone hours were convenient	75.5	82.2	75.4	83.3	79.1	89.3	86.6	84.7
The line was not busy	66.9	75.1	81.0	71.7	73.7	75.6	79.5	80.7
You did not have to wait to speak with a rep.	66.3	73.2	71.1	72.6	70.8	77.8	72.5	73.5
Delivery Factor	**83.6**	**78.8**	**73.8**	**82.2**	**79.6**	**85.0**	**80.4**	**87.8**
You were told when serv. would be performed	82.4	78.8	77.7	77.3	79.1	81.5	77.2	89.0
Time arranged for service was convenient	81.4	74.3	66.5	83.0	76.3	87.0	80.1	84.9
The services were performed when promised	87.0	83.4	77.1	86.4	83.5	86.4	83.8	89.6

In-person Attributes

Ten attributes, or service elements, were evaluated by customers who had an in-person contact with Columbia Gas of Kentucky. These ten attributes are grouped into three factors as shown in the table below.

On an overall basis, perceived service is down slightly during the *third quarter* of 1999. Eight of these ten in-person attribute ratings decreased during the *third quarter* of 1999, while only two show increased ratings, compared to the previous quarter. However, compared to the results from one year ago (third quarter of 1998), the overall average rating is up 5.7% points (96.6% vs. 90.9%). The numbers shown in the table below represent the percentage of customers that indicated they *agreed* with the statement. ("Agree" means they rated the statement a "7", "6," or "5" on a 7-point scale, where 7 meant they "strongly agreed" with the statement and 1 meant they "strongly disagreed").

<u>% Agree and Strongly Agree</u>

IN-PERSON ATTRIBUTE SCORES (% rating "7", "6", or"5" on a 7-point scale)	Q. 1 1998	Q. 2 1998	Q. 3 1998	Q. 4 1998	Total 1998	Q. 1 1999	Q. 2 1999	Q. 3 1999
Response Factor	**98.9**	**94.1**	**92.0**	**96.0**	**95.2**	**94.0**	**95.9**	**96.7**
The services were performed efficiently	98.8	92.9	92.5	96.9	95.3	93.3	94.5	96.7
The representative provided satisfactory answers	98.9	95.3	91.5	95.1	95.2	94.6	97.3	96.6
Courtesy Factor	**98.7**	**95.3**	**90.0**	**97.8**	**95.2**	**97.2**	**98.9**	**96.4**
They took the time to explain work was done	95.3	96.1	90.6	95.3	94.3	96.0	97.5	89.8
They did an excellent job restoring any property	92.3	99.9	93.6	99.9	96.4	98.1	100.0	98.1
They showed concern for your property	98.9	93.8	83.4	100.0	94.0	95.5	99.8	98.7
They acted like they respected you as customer	99.3	93.9	90.3	96.8	95.1	99.8	99.6	97.6
The service representative was courteous	100.0	95.3	92.2	98.3	96.5	99.7	98.6	96.8
They took the time to address your needs	100.0	92.8	90.1	96.4	94.8	94.2	98.0	97.2
Competency Factor	**97.2**	**93.0**	**92.2**	**96.3**	**94.7**	**97.7**	**97.1**	**97.5**
The representative seemed knowledgeable	100.0	92.7	93.3	97.3	95.8	99.5	98.4	97.7
The service representative came when promised	94.4	93.2	91.1	95.2	93.5	95.8	95.7	97.2

The table on the following page shows the percentage of customers that indicated they "strongly agreed" with these same ten *in-person* attribute statements. It is interesting that the percentage of customers that "strongly agreed" increased on five of the ten measures and declined on five, with an overall net increase of about 0.2%. This is about 10 percentage points higher than from the same period one year ago.

% Strongly Agree Only

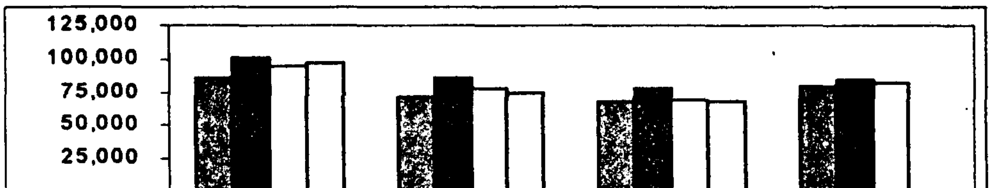
IN-PERSON ATTRIBUTE SCORES (% rating "7" on a 7-point scale)	Q. 1 1998	Q. 2 1998	Q. 3 1998	Q. 4 1998	Total 1998	Q. 1 1999	Q. 2 1999	Q. 3 1999
Response Factor	**76.7**	**80.1**	**76.2**	**80.7**	**78.4**	**84.4**	**83.4**	**83.5**
The services were performed efficiently	74.8	80.8	75.4	80.6	77.9	82.4	82.9	84.7
The representative provided satisfactory answers	78.5	79.4	77.0	80.7	78.9	86.3	83.9	82.2
Courtesy Factor	**77.2**	**82.1**	**76.3**	**86.5**	**80.5**	**87.4**	**88.0**	**86.7**
They took the time to explain work was done	92.1	89.0	81.2	80.9	85.8	86.6	84.6	77.5
They did an excellent job restoring any property	70.3	83.4	76.3	84.0	78.5	85.6	94.0	88.2
They showed concern for your property	83.5	82.8	75.3	83.5	81.3	80.4	83.4	92.2
They acted like they respected you as customer	69.6	78.5	74.1	83.3	76.4	91.4	89.2	86.0
The service representative was courteous	70.7	72.8	65.2	98.2	76.7	95.0	91.3	87.8
They took the time to address your needs	77.1	86.1	85.8	89.1	84.5	85.6	85.6	88.4
Competency Factor	**78.5**	**80.7**	**76.6**	**82.4**	**79.5**	**85.5**	**83.5**	**88.9**
The representative seemed knowledgeable	84.2	77.9	76.1	78.3	79.1	83.6	83.1	88.1
The service representative came when promised	72.7	83.4	77.1	86.4	79.9	87.3	83.8	89.7

The increases in the percent *strongly agree/agree* results for both the *telephone* and *in-person* attributes may explain part of the increase in overall Contact Satisfaction. Nonetheless, these increases would not normally justify the entire increases in Contact Satisfaction and Overall Satisfaction. To understand more, one must look even deeper into the results. While we have looked at the performance evaluations at the attribute level, other issues may have influenced customers' satisfaction with Columbia Gas of Kentucky.

Call Center Volume

In addition to the service performance ratings, some operational factors can impact the Contact Satisfaction rating. One of these is the volume of calls received by the call center. Efforts to decrease the total number of calls are beginning to be realized by Columbia Gas of Kentucky. The following graph shows that call volume continues to decrease compared to the previous quarter and to the *third quarter* of 1998. Historically speaking, it is normal to see call volume decrease during the *second* and *third quarters* of the year as compared to *first quarter* results. However, it is predictable that call volume will increase during the *fourth quarter* of 1999 and the *first quarter* of 2000.

Comparative Call Center Volume

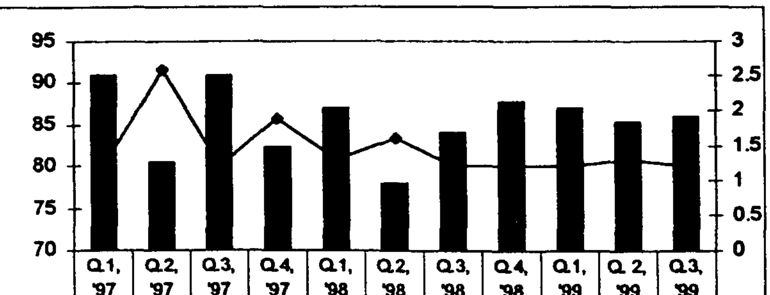


	Quarter 1	Quarter 2	Quarter 3	Quarter 4
1996	85,501	72,130	68,561	79,260
1997	101,524	86,165	78,287	85,091
1998	94,418	78,020	69,018	81,718
1999	96,863	74,270	68,050	

Percent of Calls Resolved on First Contact

The graph below reveals an apparent inverse relationship between the percentage of calls handled on the first call and the average number of contacts to resolution. That is, as the average contacts to resolution goes down, the percentage of calls handled on the first contact goes up and, usually, Contact Satisfaction with the call. There is a slight decrease in the number of calls handled in only one call, resulting in a slight increase in the average number of contacts to resolve customer issues. About six of every seven (86%) calls are handled with *one call* from the customer.

Call Center – Problem Resolution



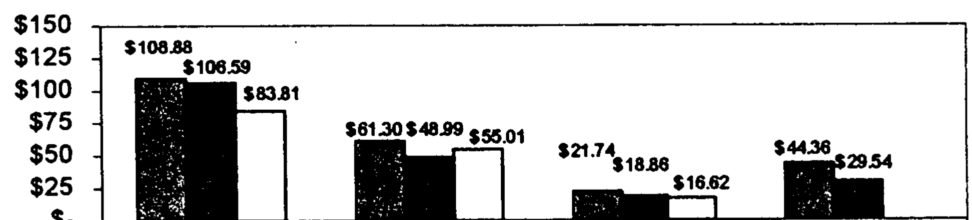
	Q1, '97	Q2, '97	Q3, '97	Q4, '97	Q1, '98	Q2, '98	Q3, '98	Q4, '98	Q1, '99	Q 2, '99	Q3, '99
% One Call	90.9	80.5	90.9	82.3	86.9	77.9	83.9	87.7	87.0	85.4	86.0
Average # Contacts	1.2	2.6	1.2	1.9	1.3	1.6	1.2	1.2	1.2	1.3	1.2

Average Bill Amount

Another factor to consider when reviewing call volume is the reason for customers' calls. It is normal for certain types of contacts to increase or decrease during certain times of the year. For a gas utility company, it is common to see contact increases in the *first* and *fourth quarters* relating to billing problems/questions. These are times (Fall and Winter) when the outside temperature is generally colder than the Spring and Summer months. Consequently, people use more gas to warm their homes. The more they use, the higher the monthly bill, which may generate questions about bill amounts.

There is reason to believe that the average bill amount a customer pays, compared to their expectations, will impact their satisfaction. The graph below does indicate that the average billing amount did decrease by amore than two-thirds compared to the *second quarter*, and slightly, compared to the *third quarter* of 1998.

Average Bill Amount



	Quarter 1	Quarter 2	Quarter 3	Quarter 4
■ 1997	$108.88	$61.30	$21.74	$44.36
■ 1998	$106.59	$48.99	$18.86	$29.54
□ 1999	$83.81	$55.01	$16.62	

Reason for Contact

The volume of calls received decreased compared to both the *previous quarter* and to the *third quarter* 1998, and the percentage of calls received pertaining to billing remains very high. Billing issues represented nearly one-half of all telephone contacts received. This is nearly 10% higher than the average for 1998 and for the *second quarter* of 1998. The sheer number of billing contacts heavily influenced the overall telephone contact satisfaction rating.

Reason for Contact

Respondents	Qtr. 1 1998 (361)	Qtr. 2 1998 (361)	Qtr. 3 1998 (362)	Qtr. 4 1998 (304)	Total 1998 (1388)	Qtr. 1 1999 (364)	Qtr. 2 1999 (364)	Qtr. 3 1999 (367)
Turn-ons	20.3%	25.7%	21.5%	21.2%	22.2%	18.1%	15.5%	17.4%
Service Requests	15.8%	18.0%	21.5%	20.5%	18.9%	16.8%	20.2%	21.7%
Bill Problems	44.7%	39.4%	38.4%	46.7%	42.3%	52.7%	51.6%	49.6%
Pay Bills	12.4%	13.3%	14.8%	8.3%	12.2%	5.8%	7.2%	4.7%
Other	6.8%	3.6%	3.8%	3.3%	4.4%	6.6%	5.5%	6.6%

In addition to the number of bill problem calls, this group also heavily impacts the Contact Satisfaction rating because these types of calls can be more difficult to satisfy from the customer's perspective. The table below shows that of the five call type classifications, *bill problem* is the most common. This is an area where Columbia Gas of Kentucky is doing an acceptable job.

A classification of contact that seems to be negatively impacting the Contact Satisfaction rating is *turn-ons*. Together, *bill problems* and *turn-ons* account for over two-thirds of all calls received.

Reason for Contact (Quarter 3, 1999 Only)

Reason	# customers	% of total Contacts Qtr. 3 '99	% Very Satisfied "4" on a 4 pt. scale	% Satisfied "4 or 3" on a 4 pt. scale
Turn-ons	64	17.4%	55.6%	100.0%
Service Requests	80	21.7%	69.6%	96.2%
Bill Problems	182	49.6%	70.8%	95.9%
Pay Bills	17	4.7%	55.6%	94.4%
Other	24	6.6%	91.7%	100.0%

Areas of Opportunity

To understand what took place this past quarter, we need to evaluate what transpired in the most frequent transactions. Transactions that occur most often within the sample population and that have significant influence on satisfaction show some increase in customers' evaluations of performance compared to the *fourth quarter last year*. Through regression analysis, several performance attributes were identified as critical to explaining the variation in satisfaction.

Bill Problem

"Bill problems" represent a significant proportion (49.6%) of total call volume and the percentage of customers who are *very satisfied* (70.8%) is the second highest among all the categories of contacts. Looking at customers' ratings for this contact type helps to identify opportunities within this classification. The following table shows how customers with bill problems rate the various telephone attributes. We are looking at the percentage of people who "strongly agreed" ("7" on the 7-point scale) with the attribute statement because, for most of these attributes, that's what it takes to positively impact the Contact Satisfaction rating.

	(% Strongly Agree)		(% Agree+ Strongly Agree)	
PHONE ATTRIBUTE SCORES	**Bill Problem Respondents (% 7's)**	**Overall Qtr. 3 1999 (% 7's)**	**Bill Problem Respondents (% 7, 6, or 5)**	**Overall Qtr. 3 1999 (%7, 6, 5)**
Response Factor	**84.0**	**84.0**	**95.9**	**97.1**
The rep. provided satisfactory answers	79.5	82.2	95.0	96.6
Question/request handled quickly & easily	88.5	85.8	96.7	97.5
Courtesy Factor	**85.1**	**87.0**	**96.1**	**97.3**
The service representative was courteous	82.1	87.8	94.5	96.7
Your questions/request understood by rep.	87.1	85.8	97.3	97.7
Acted like they respected you as a customer	85.7	86.0	96.4	97.6
They took the time to address your needs	85.4	88.4	96.2	97.2
Competency Factor	**82.2**	**85.5**	**96.8**	**98.0**
The representatives seemed knowledgeable	87.7	82.9	96.6	98.1
Did not have trouble getting to right person	77.7	88.1	96.9	97.6
Convenience Factor	**74.9**	**79.6**	**97.7**	**97.6**
The telephone hours were convenient	78.7	84.7	97.8	98.2
The line was not busy	80.3	80.7	96.2	95.9
You did not have to wait to speak with a rep.	65.6	73.5	99.1	98.6
Delivery Factor	**86.7**	**87.8**	**97.2**	**97.9**
Were told when service would be performed	89.9	89.0	96.4	97.7
Time arranged for service was convenient	83.0	84.9	98.5	98.7
The services were performed when promised	87.1	89.6	96.7	97.2

Specifically, the table shows that there are four attributes where the percentage of "bill problem" customers rating "strongly agree" is below the percentage of total customers rating "strongly agree" by at least 5 percentage points. These four attributes are:

- Did not have trouble getting to the right person (-9.4%)
- You did not have to wait to speak with a rep. (-7.9%)
- The telephone hours were convenient (-6.0%)
- The service representative was courteous (-5.7%)

All measures receive "strongly agree & agree" percentages above the 90% target. In fact, only one attribute receives a positive mark below 95% positive.

Turn-ons

Turn-ons present an opportunity for Columbia Gas of Kentucky. These calls represent about one in every six contacts and performance on most of these attributes is below the overall average.

IN-PERSON ATTRIBUTE SCORES	(% Strongly Agree) Service Request Respondents (% 7's)	(% Strongly Agree) Overall Qtr. 3 1999 (% 7's)	(%Agree+ Strongly Agree) Service Request Respondents (% 7, 6, or 5)	(%Agree+ Strongly Agree) Overall Qtr. 3 1999 (%7,6,5)
Response Factor	**79.8**	**83.5**	**97.2**	**96.7**
The services were performed efficiently	82.7	84.7	96.2	96.7
The representative provided satisfactory answers	76.9	82.2	98.1	96.6
Courtesy Factor	**87.2**	**86.7**	**97.5**	**96.4**
They took the time to explain work was done	75.0	77.5	100.0	89.8
They did an excellent job restoring any property	100.0	88.2	100.0	98.1
They showed concern for your property	100.0	92.2	100.0	98.7
They acted like they respected you as customer	82.7	86.0	96.2	97.6
The service representative was courteous	84.6	87.8	96.2	96.8
They took the time to address your needs	80.8	88.4	92.3	97.2
Competency Factor	**79.5**	**88.9**	**94.1**	**97.5**
The representative seemed knowledgeable	76.9	88.1	94.2	97.7
The service representative came when promised	82.0	89.7	94.0	97.2

Within this "turn-on" classification, the ratings for four attributes, in particular, are at least 5% below those awarded by all respondents during the *third quarter*. These attributes include:

- The representative seemed knowledgeable
- The service representative came when promised
- They took the time to address your needs
- The representative provided satisfactory answers

Three of the attributes in the Courtesy Factor appear to have very strong ratings, but it should be noted that there were only eight respondents who were asked these attributes.

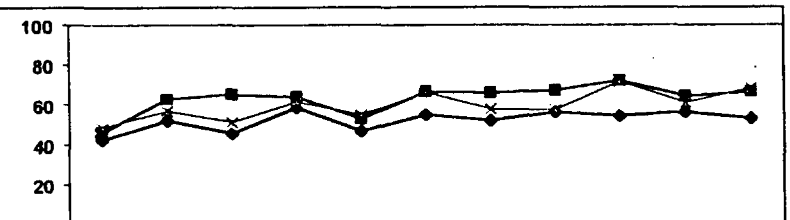
Overall Measures

Overall, ratings improved on two of the four measures during the *third quarter* of 1999, compared to *second quarter* results.

While Overall Satisfaction and Loyalty dropped slightly, Contact Satisfaction improved significantly, regaining most of the ground lost during the second quarter. All four of these overall measures are higher than the same period one year ago and year to date results are all ahead of one year ago. Efforts to maintain and improve service performance among customers who do contact the company with a question or request can prove beneficial in the long-term. How the company performs during these decisive moments is critical to long-term *customer loyalty*. Most people understand that problems do happen. These contacts become opportunities for Columbia Gas to show how they value their customers.

The chart below shows that performance, while experiencing some ups and downs, over the past three years has been positive. The overall trend continues to be positive.

Overall Company Satisfaction, Favorability, and Loyalty
(% Very Satisfied, Very Favorable, Very Likely)



	Q.1, '97	Q.2, '97	Q.3, '97	Q.4, '97	Q.1, '98	Q.2, '98	Q.3, '98	Q.4, '98	Q.1, '99	Q.2, '99	Q.3, '99
Overall Satisfaction	42.6	52.0	45.7	58.5	46.8	55.0	51.9	56.2	54.4	56.2	53.0
Favorability	46.1	62.9	65.4	64.1	53.0	66.7	66.0	67.2	72.1	64.5	66.5
Loyalty	57.4	81.3	83.7	73.0	78.0	79.1	75.5	80.8	83.2	83.1	80.7
Contact Satisfaction	48.7	56.9	51.4	61.6	54.9	66.5	57.8	57.7	71.6	61.3	68.3

Summary

Good News!

- Congratulations! Only one attribute, of the twenty-four measured, falls below the 90% "agree" threshold. In fact, for the quarter, the "agree" ratings on 23 of the 24 attributes are above 95% positive.
- Overall Satisfaction (96.7%) and Contact Satisfaction (94.0%) are both higher than last quarter and both are well ahead of 1998 on a year-to-date basis.
- Average billing amount is down again in the *third quarter* compared to the *second quarter* of 1999. While this is not necessarily good from the utility's perspective, in the eyes of your customers it does reflect positively on the company.
- Call volume is down over 6,000 calls from *second quarter* numbers, and over 28,000 calls lower than during the *first quarter* of this year. Compared to one year ago during the third quarter, call volume is down over 1,000 calls

Recommendations & "Watch-outs"

- Focus continued improvement efforts on "bill problems," especially setting expectations regarding when the problem or correction will occur. The second area of focus should be on "turn-on" contacts. Efforts here should be moving people to the "strongly agree" rating on such things as showing respect for the customer and taking some time with them to address their needs.
- Expect higher call volume over the next two quarters. The weather is getting cooler which means the bills will be getting larger. This will generate more "billing problem" contacts. This is another reason to make sure the meter reading is reported accurately.
- While positive ratings continue to rise, care should be taken as the Overall Satisfaction with Columbia Gas (percentage of customers "very satisfied") did decline. Because "satisfaction" results (ratings of "4" or "3" on a four point scale) have been so highly positive there may be a tendency to become overconfident. To guard against this, perhaps Columbia Gas should consider looking at the "4's on the overall measures and the "6" and "7" ratings on the attribute measures, in place of the "5", "6", and "7" ratings.

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
CASE NO. 99-165
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
IN ORDER DATED OCTOBER 29, 1999**

Question No. 6

Provide public utility commission decisions in other jurisdictions in which Columbia affiliates have customer choice programs that address recovery of stranded costs. Were the companies allowed to recover 100 percent of stranded costs?

Response:

Columbia Gas of Pennsylvania, Inc. (CPA)

The CPA choice program provides for full recovery of stranded capacity costs. The following discussion details how the choice program and the recovery of stranded capacity costs has evolved over the past several years.

CPA filed tariffs in June 1996 proposing to implement a two-year pilot choice program in Washington County, Pennsylvania, commencing November 1, 1996. The Pennsylvania Public Utility Commission approved these tariffs on August 8, 1996. Assignment of firm transportation capacity was required resulting in no stranded costs.

In year two of the pilot, which commenced on November 1, 1997, the pilot was expanded to include customers in Allegheny County, Pennsylvania. Under the expanded program which was approved by the Commission on June 12, 1997, marketers were offered the option of obtaining capacity from another source resulting in stranded costs. The Commission's Order allowing for the recovery of stranded costs is attached.

Year three of the CPA choice pilot, approved by the Commission on July 9, 1998, saw further expansion of the pilot area. Five additional counties were added to the pilot program beginning November 1, 1998. Capacity assignment options continued as they were in year two. The Order is attached.

Legislation passed on June 1, 1999 (Senate Bill 601—Natural Gas Choice and Competition Act) requires full capacity assignment for new customer choice programs. However, it also allows any utility with a pilot gas transportation program approved by the Commission prior to February

1, 1999, in which capacity assignment is optional, to continue to allow marketers to use their own capacity and for the utility to recover all resulting stranded costs.

Columbia Gas of Virginia, Inc. (CGV)

CGV filed for a customer choice program in its 1997 general rate request, Case No. PUE970455. On September 30, 1997, the Commission authorized CGV to commence this pilot as a two-year experiment. CGV had also filed to recover stranded capacity costs through a surcharge mechanism. Marketers were permitted to accept assignment or obtain their own capacity for firm transportation capacity, potentially creating stranded costs. The Stranded Costs Recovery Charge issue was referred to the Hearing Examiner for development of a full record in conjunction with the hearing on the application for a rate increase.

The Commission, in its Final Order in Case No. PUE970455, dated February 19, 1999, adopted the Hearing Examiner's recommendation that the stranded cost charge not be allowed at this time because the record did not show that CGV had or would experience stranded capacity costs during the pilot. Because Virginia is capacity constrained there was a belief that most marketers would accept CGV's capacity, resulting in few stranded costs. That belief has proven to be largely true through the early portion of the program. CGV was instructed to continue to collect and report information on any costs that it considers stranded through the remainder of the pilot program. CGV may request deferred accounting treatment from the Commission's Division of Public Utility Accounting.

The Virginia State Corporation Commission approved October 18, 1999, an extension of the two-year pilot Commonwealth Choice Program.

Columbia Gas of Ohio, Inc. (COH)

The Order of the Public Utilities Commission of Ohio regarding Columbia Gas of Ohio, Inc.'s recovery of stranded costs or transition capacity costs resulting from its CHOICE program is attached. The Order approved a stipulation filed by Columbia and the Collaborative which provided that transition capacity costs would be recovered through the use of a multi-part funding mechanism in which Columbia bore some risk.

Columbia Gas of Maryland, Inc. (CMD)

CMD has offered a choice program to customers since 1996, first to small commercial customers and then to residential customers. Full capacity assignment is required in the CMD program resulting in stranded costs not being an issue. The program structure is virtually unchanged since its inception.

COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

JUNE 12, 1997

REFER TO OUR FILE
R-00973997

COPY

MICHAEL W GANG ESQUIRE
MORGAN LEWIS & BOCKIUS
ONE COMMERCE SQUARE
417 WALNUT STREET
HARRISBURG PA 17101-1904

PENNSYLVANIA PUBLIC UTILITY COMMISSION
v.
COLUMBIA GAS OF PA., INC

To Whom It May Concern:

This is to advise you that an Opinion and Order has been adopted by the Commission in Public Meeting on June 12, 1997, in the above entitled proceeding.

An Opinion and Order has been enclosed for your records.

Very truly yours,

John G. Alford,
Secretary

smk
Encls.
Cert.Mail

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17105-3265

Public Meeting held June 12, 1997

Commissioners Present:

John M. Quain, Chairman
Robert K. Bloom, Vice Chairman, Dissenting
John Hanger, Statement attached
David W. Rolka
Nora Mead Brownell

Pennsylvania Public Utility Commission
v.
Columbia Gas of Pa., Inc. R-00973997

OPINION AND ORDER

BY THE COMMISSION:

On April 18, 1997, Columbia Gas of Pa., Inc. (Columbia) filed Supplement No. 171 to Tariff Gas-Pa. P.U.C. No. 8, to become effective on June 17, 1997. Supplement No. 171 is designed to expand and enhance the Columbia Choicé Program. Columbia met with the Office of Consumer Advocate (OCA), the Office of Trial Staff (OTS) and the Office of Small Business Advocate (OSBA), the (Parties), both before and after the filing of Supplement No. 171 to discuss potential issues raised by Columbia's proposed expansion of, and revisions to, the Columbia Choice Pilot.

The Parties agreed, and have resolved all the issues raised by the filing of Supplement No. 171. On June 4, 1997, the Parties provided the Bureau of Fixed Utility Services with a signed copy of their Joint Petition for Settlement. The Settlement addresses the issues of: (1) expanding the Columbia Choice Pilot into Allegheny County, (2) Columbia's proposal to implement capacity choice, and (3) should Columbia recover costs of the unassigned capacity from all core and Pilot customers.

On June 10, 1996, at Docket No. R-00963688, Columbia filed tariffs proposing to implement the Columbia Choice Pilot (Pilot). Columbia proposed to offer transportation service to groups of residential and small commercial customers located in Washington County, Pennsylvania (the Pilot was expanded to include the Pleasant Hills area in Allegheny Power). The Commission approved the Pilot in August 1996, and Columbia immediately began education and outreach programs.

Key elements of the Pilot were: 1) the assignment of firm transportation capacity to marketers to serve customers who elected to participate; 2) Columbia's retention of storage to balance customer deliveries and requirements; 3) Columbia's maintenance of consumer protections for customers; and 4) Columbia's education of customers.

Columbia commenced enrollment on September 1, 1996, and ended on September 30, 1996. Approximately 5,400 of the 37,000 customers eligible to participate in the Pilot program chose an alternate supplier.

The purpose of this Tariff Supplement is to expand the Columbia Choice program to include Allegheny County; to increase the number of capacity options available to marketers and suppliers under the Company's Rider PCA - Pilot Capacity Assignment; to implement a capacity cost rider; to make revisions to Rate RTS - Residential Transportation Service and to establish Rate SCT - Small Commercial Transportation for commercial customers whose annual throughput is less than 600 Mcf.

In Phase 2 of the Pilot, the number of eligible participants will be substantially expanded to include an additional 100,000 residential customers located in Allegheny

County and 10,000 small commercial customers in Washington and Allegheny Counties. Columbia states that perhaps as many as 20,000 customers are expected to participate in the second year of the Pilot.

Columbia states, that other than expenses to run the Pilot, expansion of the Columbia Choice Program will have a minor impact on its non-gas cost revenue and expenses since Rate RTS and Rate SCT are designed on the non-gas margin of the applicable sales service rate schedules. Customers will be paying the same fixed cost for delivery of the natural gas under both sales and transportation services.

Upon review, the proposed Tariff Supplement does not appear to be unlawful, unjust, unreasonable, or contrary to the public interest. However, this does not constitute a determination that this Tariff Supplement is just, lawful; and reasonable; rather, this is a determination that suspension or further investigation does not appear to be warranted at this time; THEREFORE,

IT IS ORDERED:

1. That Supplement No. 171 to Tariff Gas-Pa. P.U.C. No. 6, as modified by the Joint Petition for Settlement, be and hereby is, allowed to become effective on June 17, 1997.

2. That this Opinion and Order is without prejudice to any formal complaints timely filed against the proposed Tariff Supplement.

BY THE COMMISSION,

John G. Alford

John G. Alford
Secretary

(SEAL)
ORDER ADOPTED: June 12, 1997
ORDER ENTERED: JUN 12 1997

** TOTAL PAGE.06 **

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

RE: Columbia Gas of Pennsylvania, Inc., Proposed Expansion of Residential and Small Commercial Transportation Pilot into Allegheny County, Pennsylvania -- Supplement No. 171 to Tariff Gas - Pa. P.U.C. No. 8	:	R-00973997

JOINT PETITION FOR SETTLEMENT

TO THE HONORABLE CHAIRMAN AND COMMISSIONERS OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Columbia Gas of Pennsylvania, Inc. ("Columbia"), the Office of Consumer Advocate ("OCA") the Office of Trial Staff ("OTS") and the Office of Small Business Advocate ("OSBA"), collectively referred to herein as the Parties, file this Joint Petition for Settlement to resolve issues raised by Columbia's proposals contained in Supplement No. 171 to Tariff Gas - Pa. P.U.C. No. 8 ("Supplement No. 171"). In support thereof, the Parties represents as follows:

I. BACKGROUND

1. On April 18, 1997, Columbia filed Supplement No. 171 with a proposed effective date of June 17, 1997.

2. In Supplement No. 171, Columbia proposes to:

   a. Expand its existing residential and small commercial transportation pilot in Washington County, Pennsylvania (the "Choice Pilot") to all of its approximately 100,000 residential and small commercial customers in Allegheny County, Pennsylvania;

b. Provide participating marketers in both Washington and Allegheny counties with an option to either receive assignment of Columbia's Firm Transportation Capacity on Columbia Transmission Corporation or certify that the marketer has obtained Firm Transportation Capacity to deliver gas to Columbia's City Gate; and

c. Provide for recovery of costs of Firm Transportation Capacity not assigned to marketers through a surcharge ("Capacity Cost Rider") applicable to all core customers including those participating in the Choice Pilot.1/

3. The Parties have met both before and after Columbia's filing of Supplement No. 171 to discuss issues raised by Columbia's proposed expansion of, and revisions to, the Columbia Choice Pilot. The Parties have reached this settlement and request that the Pennsylvania Public Utility Commission ("Commission") approve the settlement at the earliest possible date in order to permit the enrollment period for customers to select a supplier prior to commence on July 1, 1997.

II. PROPOSED SETTLEMENT

4. The Parties agree to resolve all issues raised by the filing of Supplement No. 171, on the following terms and conditions:

a. Columbia's proposal to expand the Columbia Choice Pilot into Allegheny County, Pennsylvania should be approved;

b. Columbia's proposal to provide marketers with a choice as to whether to serve customers with Firm Transportation Capacity assigned by Columbia or acquired from another source and to recover costs of the unassigned capacity from all core customers and pilot participants should be approved on a one-year pilot basis subject to the following conditions:

1/ The surcharge would be applied to customers under the RS, RTS, RPS, SGS and SCT rate schedules.

i. Columbia will not charge an amount in excess of 1.5¢/Mcf, exclusive of reconciliations and exclusive of gross receipts tax; and

ii. Columbia is permitted to limit marketers' ability to decline assignment of Firm Transportation Capacity and to limit use of Firm Transportation Capacity from other sources if the Columbia Choice Pilot will produce more than 8,400 Dth/day of unassigned firm transportation capacity.

c. If Columbia's proposal to implement capacity choice in Supplement No. 171 is approved, Columbia's capacity release sharing mechanism will be revised effective February 1, 1998 to increase the benchmark to $1,200,000 to reflect the ability to release unassigned capacity under the Choice Pilot. The deadband in which there will be no sharing will range from 85% ($1,020,000) to 115% ($1,380,000). Columbia will retain 25% of capacity release revenues between 115% ($1,380,000) of the benchmark and 125% of the benchmark ($1,500,000) and will absorb 25% of the shortfall between 75% ($900,000) and 85% ($1,020,000) of the benchmark. Columbia will share gain 50%/50% with ratepayers above $1,500,000 and will share shortfalls 50%/50% with ratepayers below $900,000. If Supplement No. 171 and capacity choice is not approved there will be no change in the benchmark and sharing percentages from the currently effective benchmark and sharing percentages. Provided, however, that in either event, if FERC removes the maximum rate cap on released capacity Columbia will pass back to customers all amounts that are received in excess of the FERC approved rate. The revised benchmark reflects the effects of any increases in capacity release revenues resulting from capacity choice under Columbia's proposed Choice Pilot. The capacity release incentive shall be extended for one year commencing February 1, 1998.

d. A form of tariff supplement containing the changes to the Columbia Choice Pilot herein agreed to by the Parties is attached hereto as Appendix "A". The Parties request that the Commission authorize Columbia to file such tariff on one-day's notice on approval of the Joint Petition.

III. CONDITIONS OF SETTLEMENT

5. The Parties' support for the revisions to the Columbia Choice Pilot agreed to herein is conditioned upon the Commission's approval of the terms and conditions of this Joint Petition without modification. If the Commission modifies such terms and conditions or other

terms and conditions of the Columbia Choice Pilot, any party may elect to withdraw from the Joint Petition. In such instance, parties other than Columbia may file a complaint with regard to the Columbia Choice Pilot and, in such event, this Joint Petition shall be void and of no effect as to such pilot. The Joint Petition is proposed by the Parties to settle all issues with regard to Supplement No. 171 and is made without admission against, or prejudice to, any position which any party may adopt in any subsequent litigation concerning Supplement No. 171, or litigation in any other proceeding, except as required to implement the Joint Petition, if approved, in future proceedings involving Columbia.

6. The Parties' positions on the issues raised by Supplement No. 171 are affected by the fact that it is a pilot which is designed to identify, among other things, the extent to which marketers can serve firm customers without using upstream capacity which Columbia has contracted for to serve its customers. The Parties specifically reserve the right to advance positions contrary to this Joint Petition in future proceedings before the Commission.

WHEREFORE, the Parties, by their respective counsel, request that the Commission approve the revised Columbia Choice Pilot subject to the terms and conditions of this Joint Petition and authorize Columbia to file the tariff supplement attached hereto as Appendix "A", on one day's notice.

Respectfully submitted,

Edmund J. Berger, Esquire
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Wayne T. Scott, Esquire
Office of Trial Staff
Pitnick Building
901 North 7th Street, Rear
Harrisburg, PA 17105

Bernard A. Ryan, Jr., Esquire
Office of Small Business Advocate
Commerce Building
Suite 1102
300 North Second Street
Harrisburg, PA 17101

Michael W. Gang, Esquire
Michael W. Hassell, Esquire
Morgan, Lewis & Bockius LLP
One Commerce Square
417 Walnut Street
Harrisburg, PA 17101

Dated: June 4, 1997

COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

July 9, 1998

A-00984344

MICHAEL W HASSELL
MICHAEL W GANG ESQUIRE
MORGAN LEWIS & BOCKIUS LLP
ONE COMMERCE SQUARE
417 WALNUT STREET
HARRISBURG PA 17101-1904

Pennsylvania Public Utility Commission
vs
Columbia Gas of Pennsylvania, Inc.

To Whom It May Concern:

This is to advise you that an Opinion and Order has been adopted by the Commission in Public Meeting on July 9, 1998 in the above entitled proceeding.

An Opinion and Order has been enclosed for your records.

Very truly yours,

James J. McNulty,
Secretary

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cert. mail
law

RECEIVED JUL 10 1998

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17105-3265

Public Meeting held July 9, 1998

Commissioners Present:

John M. Quain, Chairman, statement attached
Robert K. Bloom, Vice Chairman
David W. Rolka
Nora Mead Brownell
Aaron Wilson, Jr.

Pennsylvania Public Utility Commission
v.
Columbia Gas of Pennsylvania, Inc.

R-00984344

OPINION AND ORDER

BY THE COMMISSION:

On April 24, 1998, Columbia Gas of Pennsylvania, Inc., ("Columbia") filed Supplement No. 183 to Tariff Gas Pa. P.U.C. No. 8, to become effective on June 23, 1998. Subsequently, on June 11, 1998, Columbia voluntarily postponed the effective date of Supplement No. 183 an additional seventeen (17) days until July 10, 1998. On June 24, 1998, Columbia filed a Joint Petition for Settlement ("JPI") along with the Office of Consumer Advocate ("OCA"), the Office of Trial Staff ("OTS") and the Office of Small Business Advocate ("OSBA"). On July 6, 1998, Columbia and Enron filed a Joint Petition for Settlement ("JPII").

Purpose of Supplement No. 183

1 To expand the Columbia Choice Program ("Program") to include Adams, Beaver, Franklin, Butler and York counties.

2 To request continuation of the capacity cost rider but with the name of the rider changed to Customer Choice Rider.

3. To implement an expanded Customer Choice education program funded through Rider CC (Customer Choice).

4. To make revisions to rate SCT-Small Commercial Transportation and Rate RTS- Residential Transportation Service.

5 To initiate rolling enrollment.

6. To begin billing incremental costs to the marketers participating in the Program.

Proposed Joint Settlements

The Parties to the proposed JPI have agreed to resolve all issues raised by the filing of Supplement No. 183, on the following terms and conditions:

a. Columbia's proposal to expand the pilot into the additional counties of Adams, Beaver, Franklin, Butter and York should be approved;

b. Columbia will be permitted to recover through the Customer Choice Rider (Rider CC) 70% of its actual education costs incurred with regard to the third year of the pilot, not to exceed recovery of $400,000 by Columbia;

Columbia's original claim for educational costs was $567,000.

c. Columbia's proposal to provide marketers with a choice as to whether to serve customers with Firm Transportation Capacity assigned by Columbia or acquired from another source and to recover costs of the unassigned capacity from all core customers and pilot participants should be approved and continue for an additional one-year pilot basis commencing November 1, 1998, subject to the following conditions:

(i). Columbia will not charge an amount in excess of 3.0¢ per Mcf, exclusive of reconciliations and exclusive of gross receipts tax which amounts shall provide for recovery of unassigned capacity costs and Columbia's recoverable share (70%) of education costs; and

(ii). Columbia is permitted to limit marketers' ability to decline assignment of Firm Transportation Capacity and to limit use of Firm Transportation Capacity from other sources of such use of alternate capacity would cause Columbia to underrecover costs of unassigned capacity under Rider CC after consideration of recoverable education costs.

d If Columbia's proposal to implement capacity choice in Supplement No. 183 is approved, Columbia's capacity release sharing mechanism will be revised effective February 1, 1999 as follows:

(i). Commencing February 1, 1999, an amount will be credited to Rider CC equal to the volume of Columbia Transmission Rate FT capacity not assigned as part of the Choice program each month multiplied by $1.20 per Dth per month, subject to a minimum annual credit to Rider CC of $157,000.

(ii). The remaining capacity release revenues over the amount computed in Paragraph d(i), above obtained during the twelve months commencing February 1, 1999, shall be subject to the following incentive (sharing) mechanism:

Benchmark	$1,043,478
Amount Below $728,608	50% loss to CPA
Between $787,608 and $886,956	25% loss to CPA
Between $886,958 and $1,199,999	No Sharing
Between $1,200,000 and $1,304,347	25% gain to CPA
Above $1,304,347	50% gain to CPA

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(iii) If the Commission disapproves those provisions of Rider CC which concern the recovery of the costs of unassigned capacity resulting from Columbia's Choice Pilot then the incentive (sharing) mechanism set forth in Paragraph d(ii) shall be adopted commencing February 1, 1999, without the credit to Rider CC contained in Paragraph d(i). If the Commission disapproves the proposed expansion of the pilot and the related increase to the Rider CC provisions concerning recovery of capacity costs effective November 1, 1998, but permits the Choice Pilot to continue in its currently - effective form, then the capacity release benchmark and sharing mechanism currently in effect will continue during the twelve months commencing February 1, 1999.

(iv) If Columbia is required by statute, or by order or regulation of the Commission to assign or release capacity or provide transportation services to its customers subject to Rider PCA in a manner different from that proposed in the pilot during the twelve months commencing February 1, 1999, the capacity release benchmark will be adjusted to reflect such changes in circumstances.

e. Columbia will continue to cooperate with the Parties in providing information concerning Columbia's evaluation of the pilot and providing data obtained from Columbia's evaluation of the pilot.

f. A form of tariff supplement containing the changes to the pilot herein agreed to by the Parties is attached here to as Appendix "A". The Parties request that the Commission authorize Columbia to file such tariff on one-day's notice on approval of the Joint Petition.

In JPII, Columbia and Enron have agreed to resolve all issues raised by Enron with regard to Columbia's Supplement No. 183, as described below. Additionally, JPII has been served upon the parties to JPI with a letter requesting that they notify the Commission of any objections. Enron has taken no position with respect to JPI. As of July 7, no comments have been received by the Commission from the parties to JPI, regarding the terms of JPII

a. The parties have agreed to a revised code of conduct which is attached as Appendix A to JPII.

b. The proposed marketer fee regarding participating customers' switching to new marketers has been withdrawn.

c. If elections by marketers to provide firm capacity must be limited by Columbia, it will be limited according to the procedures outlined in Appendix B to JPII.

d. Columbia shall revise the terms of its contract with marketers to clarify and provide further flexibility with regard to the manner in which marketers meet the tariff requirement of providing firm capacity.

As of June 30, 1998, there have been no formal complaints or protests filed with the Commission regarding this proposed tariff supplement or the proposed Joint Petitions for Settlement.

The Commission has reviewed the proposed Joint Petitions for Settlement and has determined that they appears to be reasonable, appropriate and consistent with the public interest; however, approval of the Joint Petitions for Settlement does not preclude the Commission from investigating during any formal proceeding, the reasonableness of any charges under the Joint Petitions for Settlement. **THEREFORE,**

IT IS ORDERED:

That Supplement No: 183 to Tariff Gas Pa. P.U.C. No. 8 shall be suspended until January 10, 1999, unless otherwise directed by Order of the Commission.