CASE NUMBER:

1999-00165

Columbia Gas® of Kentucky
A NiSource Company

P.O. Box 14241
2001 Mercer Road
Lexington, KY 40512-4241

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AUG 1 2 2003
PUBLIC SERVICE COMMISSION

August 12, 2003

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

RE: Case No. 1999-00165

Dear Mr. Dorman:

Please find enclosed an original and ten copies of Columbia's Notice to Withdraw its Motion to Terminate the Small Volume Transportation Service, and Motion Requesting Authority to Extend the Small Volume Transportation Service Through March 31, 2005. Copies of the Motion are being provided to the docketed service list and the three participating marketers in Columbia's Customer CHOICE program – Community Action Council Buyers Club, Interstate Gas Supply, Inc., and MX Energy.com, Inc.

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper
Manager, Regulatory Policy

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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. 1999-00165

NOTICE OF COLUMBIA GAS OF KENTUCKY, INC. OF ITS INTENT TO WITHDRAW ITS MOTION TO TERMINATE THE SMALL VOLUME TRANSPORTATION SERVICE, AND MOTION REQUESTING AUTHORITY TO EXTEND THE SMALL VOLUME TRANSPORTATION SERVICE THROUGH MARCH 31, 2005

On June 6, 2003, Columbia Gas of Kentucky, Inc. ("Columbia") filed in this docket a motion requesting authority to terminate its small volume transportation program, the CHOICE®[1]program ("CHOICE program" or "the pilot program."). On June 12, 2003, Interstate Gas Supply, Inc. ("IGS") filed a petition in which it opposed the relief sought by Columbia, and requested that the Choice program be implemented on a permanent basis. Subsequent to the filing of IGS's petition, other intervenors filed pleadings in which they also expressed concern about the proposed termination of the Choice program.

[1] 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.

In light of the concerns expressed by other parties, Columbia hereby notifies the Commission that it is withdrawing the motion it filed on June 6, 2003, in which Columbia requested authority to early terminate the Choice program in March, 2004. At the same time, Columbia now requests that the Commission extend the Choice pilot program for an additional five months, through March 31, 2005. This will enable the pilot program to operate through an additional winter, miminize Columbia's concerns about storage and stranded cost impacts if the pilot program were to end in October of a calendar year, and provide the parties with additional time to discuss the varied and complex issues associated with the future of the Choice program once the pilot program comes to its scheduled conclusion. Upon approval of this motion, Columbia will file the necessary tariff sheets to reflect the revised termination date of the pilot program.

Given Columbia's withdrawal of its motion to terminate the Choice program, and its request to extend the program through March 31, 2005, Columbia requests that the Commission cancel the hearing scheduled for this case on September 18, 2003, and rescind the current procedural schedule that provides for additional discovery, the publication of newspaper notices and the filing of briefs during the month of August 2003.

Based upon Columbia's discussions with other parties, it is unaware of any opposition on the part of the other parties to the matters set forth in this pleading.

WHEREFORE, Columbia notifies the Commission that by this pleading Columbia is withdrawing its Motion Requesting Authority to Terminate its Small Volume Transportation Service filed on June 6, 2003. Columbia respectfully requests that the Commission extend Columbia's Small Volume Transportation Service program through March 31, 2005, and cancel the remainder of the current procedural schedule in this docket.

Respectfully submitted,

Stephen B. Seiple (GMC)

Stephen B. Seiple, Lead Counsel

Stanley J. Sagun, Assistant General Counsel
Stephen B. Seiple, Lead Counsel
200 Civic Center Drive
P.O. Box 117
Columbus, Ohio 43216-0117
Telephone: (614) 460-4648
Fax: (614) 460-6986
Email: sseiple@nisource.com

Richard S. Taylor, Esq.
225 Capital Avenue
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 Notice and Motion was served upon the parties on the attached Service List by regular U.S. Mail this 12th day of August, 2003.

Stephen B. Seiple (gmc)

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

SERVICE LIST

Hon. John W. Bentine
Hon. Bobby Singh
Chester Willcox & Saxbe LLP
65 East State Street, Suite 1000
Columbus, OH 43215-4213

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

Mr. Brian A. Dingwell
Vice President, Regulatory Affairs
United Gas
3520 New Hartford Road, Suite 103
Owensboro, KY 42303-1781

Hon. James R. Cox
Cox Bowling & Johnson PLLC
209 Breckenridge Lane
Louisville, KY 40207

Hon. Joe F. Childers
201 W. Short Street
Suite 310
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. John M. Dosker
Stand Energy Corporation
1077 Celestial Street
Suite #110
Cincinnati, OH 45202

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

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

Hon. Craig G. Goodman
Hon. Stacey L. Rantala
Hon. Heather L. Master
National Energy Marketers Association
3333 K Street, N.W., Suite 110
Washington, D.C. 20007

Hon. Mary R. Harville
Reed, Weitkamp, Schell & Vice PLLC
500 West Jefferson St., Suite 2400
Louisville, KY 40202

Hon. Janine L. Migden
Hahn, Loeser & Parks, LLP
1050 Fifth Third Center
21 East State Street
Columbus, OH 43215

Hon. Richard S. Taylor
Attorney at Law
225 Capital Avenue
Frankfort, KY 40601

Columbia Gas® of Kentucky
A NiSource Company

P.O. Box 14241
2001 Mercer Road
Lexington, KY 40512-4241

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AUG 12 2003

PUBLIC SERVICE COMMISSION

August 12, 2003

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being marketed by participating suppliers in Columbia's Customer CHOICE^{SM} program.

Interstate Gas Supply (IGS) - Not enrolling customers

MX Energy – Fixed price of $9.99/Mcf thru March 2004

CAC Buyers Club - Variable price $7.67/ Mcf; no term

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas of Kentucky
A NiSource Company

P.O. Box 14241
2001 Mercer Road
Lexington, KY 40512-4241

RECEIVED

AUG 12 2003

PUBLIC SERVICE
COMMISSION

August 12, 2003

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
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MX Energy – Fixed price of $9.99/Mcf thru March 2004

CAC Buyers Club - Variable price $7.67/ Mcf; no term

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Paul E. Patton, Governor

Janie A. Miller, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
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FRANKFORT, KENTUCKY 40602-0615
psc.ky.gov
(502) 564-3940
Fax (502) 564-3460

Martin J. Huelsmann
Chairman

Gary W. Gillis
Vice Chairman

Robert E. Spurlin
Commissioner

August 11, 2003

Tom & Michele Hencye
1125 Ackison Street
Raceland, KY 41169

RE: Case No. 1999-00165

Dear Mr. & Mrs. Hencye:

The Commission is in receipt of your recent letter concerning Columbia Gas of Kentucky's Customer Choice Program. Your letter has been placed in the official case file of this proceeding. Please be assured that the Commission will carefully analyze the application before rendering a final decision in this matter.

If you would like more information regarding this case, please feel free to contact my staff at 502-564-3940. Additionally, you can find information related to this case including orders issued by the Commission on our website: psc.ky.gov.

Once again, thank you for your interest and concern.

Sincerely yours,

Thomas M. Dorman
Executive Director

TMD/amb

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1999-165

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PUBLIC SERVICE COMMISSION

To Whom it may concern,

We would like to support the Customer Choice Program so that we can choose our supplier to keep our costs down.

Please do not eliminate this program.

Sincerely,

Tom + Michele Hencye

1125 Ackison Street
Raceland. KY
41169

Paul E. Patton, Governor

Janie A. Miller, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

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Chairman

Gary W. Gillis
Vice Chairman

Robert E. Spurlin
Commissioner

August 7, 2003

Thomas H. and Demaris L. Pinkstaff
10 Court of Champions
Nicholasville, KY 40356

RE: Case No. 1999-00165

Dear Mr. & Mrs. Pinkstaff:

The Commission is in receipt of your July 30, 2003 letter concerning Columbia Gas of Kentucky's Customer Choice Program. Your letter has been placed in the official case file of this proceeding. Please be assured that the Commission will carefully analyze the application before rendering a final decision in this matter.

If you would like more information regarding this case, please feel free to contact my staff at 502-564-3940. Additionally, you can find information related to this case including orders issued by the Commission on our website: psc.ky.gov.

Once again, thank you for your interest and concern.

Sincerely yours,

Thomas M. Dorman
Executive Director

TMD/amb

EDUCATION PAYS

Paul E. Patton, Governor

Janie A. Miller, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
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Gary W. Gillis
Vice Chairman

Robert E. Spurlin
Commissioner

August 7, 2003

Michael Huster
6035 Riva Ridge Road
Versailles, KY 40383

RE: Case No. 1999-00165

Dear Mr. Huster:

The Commission is in receipt of your August 1, 2003 letter concerning Columbia Gas of Kentucky's Customer Choice Program. Your letter has been placed in the official case file of this proceeding. Please be assured that the Commission will carefully analyze the application before rendering a final decision in this matter.

If you would like more information regarding this case, please feel free to contact my staff at 502-564-3940. Additionally, you can find information related to this case including orders issued by the Commission on our website: psc.ky.gov.

Once again, thank you for your interest and concern.

Sincerely yours,

Thomas M. Dorman
Executive Director

TMD/amb

Paul E. Patton, Governor

Janie A. Miller, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

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Gary W. Gillis
Vice Chairman

Robert E. Spurlin
Commissioner

August 7, 2003

Don E. Carter, Director
Facility Services
Kentucky State University
101 University Drive
Frankfort, KY 40601

RE: Case No. 1999-00165

Dear Mr. Carter:

The Commission is in receipt of your July 30, 2003 letter concerning Columbia Gas of Kentucky's Customer Choice Program. Your letter has been placed in the official case file of this proceeding. Please be assured that the Commission will carefully analyze the application before rendering a final decision in this matter.

If you would like more information regarding this case, please feel free to contact my staff at 502-564-3940. Additionally, you can find information related to this case including orders issued by the Commission on our website: psc.ky.gov.

Once again, thank you for your interest and concern.

Sincerely yours,

Thomas M. Dorman
Executive Director

TMD/amb

Paul E. Patton, Governor

Janie A. Miller, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

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Gary W. Gillis
Vice Chairman

Robert E. Spurlin
Commissioner

August 7, 2003

David E. Griffith
224 Quail Run Drive
Georgetown, KY 40324

RE: Case No. 1999-00165

Dear Mr. Griffith:

The Commission is in receipt of your July 30, 2003 letter concerning Columbia Gas of Kentucky's Customer Choice Program. Your letter has been placed in the official case file of this proceeding. Please be assured that the Commission will carefully analyze the application before rendering a final decision in this matter.

If you would like more information regarding this case, please feel free to contact my staff at 502-564-3940. Additionally, you can find information related to this case including orders issued by the Commission on our website: psc.ky.gov.

Once again, thank you for your interest and concern.

Sincerely yours,

Thomas M. Dorman
Executive Director

TMD/amb

Paul E. Patton, Governor

Janie A. Miller, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

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Martin J. Huelsmann
Chairman

Gary W. Gillis
Vice Chairman

Robert E. Spurlin
Commissioner

August 7, 2003

Anna S. Graves
712 Dardaelles Drive
Lexington, KY 40503

RE: Case No. 1999-00165

Dear Ms. Graves:

The Commission is in receipt of your July 31, 2003 letter concerning Columbia Gas of Kentucky's Customer Choice Program. Your letter has been placed in the official case file of this proceeding. Please be assured that the Commission will carefully analyze the application before rendering a final decision in this matter.

If you would like more information regarding this case, please feel free to contact my staff at 502-564-3940. Additionally, you can find information related to this case including orders issued by the Commission on our website: psc.ky.gov.

Once again, thank you for your interest and concern.

Sincerely yours,

Thomas M. Dorman
Executive Director

TMD/amb

EDUCATION PAYS

Paul E. Patton, Governor

Janie A. Miller, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
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Chairman

Gary W. Gillis
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Robert E. Spurlin
Commissioner

August 7, 2003

Charles & Margaret Washington
2326 Pierson Drive
Lexington, KY 40505

RE: Case No. 1999-00165

Dear Mr. & Mrs. Washington:

The Commission is in receipt of your July 30, 2003 letter concerning Columbia Gas of Kentucky's Customer Choice Program. Your letter has been placed in the official case file of this proceeding. Please be assured that the Commission will carefully analyze the application before rendering a final decision in this matter.

If you would like more information regarding this case, please feel free to contact my staff at 502-564-3940. Additionally, you can find information related to this case including orders issued by the Commission on our website: psc.ky.gov.

Once again, thank you for your interest and concern.

Sincerely yours,

Thomas M. Dorman
Executive Director

TMD/amb

Paul E. Patton, Governor

Janie A. Miller, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

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Chairman

Gary W. Gillis
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Robert E. Spurlin
Commissioner

August 7, 2003

Paul Winters
Crystal Brook Condominiums
1310 Louisville Road – Office
Frankfort, KY 40601

RE: Case No. 1999-00165

Dear Mr. Winters:

The Commission is in receipt of your July 30, 2003 letter concerning Columbia Gas of Kentucky's Customer Choice Program. Your letter has been placed in the official case file of this proceeding. Please be assured that the Commission will carefully analyze the application before rendering a final decision in this matter.

If you would like more information regarding this case, please feel free to contact my staff at 502-564-3940. Additionally, you can find information related to this case including orders issued by the Commission on our website: psc.ky.gov.

Once again, thank you for your interest and concern.

Sincerely yours,

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Executive Director

TMD/amb

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Janie A. Miller, Secretary
Public Protection and
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Thomas M. Dorman
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Martin J. Huelsmann
Chairman

Gary W. Gillis
Vice Chairman

Robert E. Spurlin
Commissioner

August 7, 2003

Larry Allen Lewis
729 Riverwood Lane
Lexington, KY 40514-1731

RE: Case No. 1999-00165

Dear Mr. Lewis:

The Commission is in receipt of your August 4, 2003 letter concerning Columbia Gas of Kentucky's Customer Choice Program. Your letter has been placed in the official case file of this proceeding. Please be assured that the Commission will carefully analyze the application before rendering a final decision in this matter.

If you would like more information regarding this case, please feel free to contact my staff at 502-564-3940. Additionally, you can find information related to this case including orders issued by the Commission on our website: psc.ky.gov.

Once again, thank you for your interest and concern.

Sincerely yours,

Thomas M. Dorman
Executive Director

TMD/amb

Paul E. Patton, Governor

Janie A. Miller, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

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Chairman

Gary W. Gillis
Vice Chairman

Robert E. Spurlin
Commissioner

August 7, 2003

John H. Huang
2217 Savannah Lane
Lexington, KY 40513

RE: Case No. 1999-00165

Dear Mr. Huang:

The Commission is in receipt of your August 2, 2003 letter concerning Columbia Gas of Kentucky's Customer Choice Program. Your letter has been placed in the official case file of this proceeding. Please be assured that the Commission will carefully analyze the application before rendering a final decision in this matter.

If you would like more information regarding this case, please feel free to contact my staff at 502-564-3940. Additionally, you can find information related to this case including orders issued by the Commission on our website: psc.ky.gov.

Once again, thank you for your interest and concern.

Sincerely yours,

Thomas M. Dorman
Executive Director

TMD/amb

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Paul E. Patton, Governor

Janie A. Miller, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

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Martin J. Huelsmann
Chairman

Gary W. Gillis
Vice Chairman

Robert E. Spurlin
Commissioner

August 7, 2003

Elmer T. Lee
1044 Cherokee Trail
Frankfort, KY 40601

RE: Case No. 1999-00165

Dear Mr. Lee:

The Commission is in receipt of your August 4, 2003 letter concerning Columbia Gas of Kentucky's Customer Choice Program. Your letter has been placed in the official case file of this proceeding. Please be assured that the Commission will carefully analyze the application before rendering a final decision in this matter.

If you would like more information regarding this case, please feel free to contact my staff at 502-564-3940. Additionally, you can find information related to this case including orders issued by the Commission on our website: psc.ky.gov.

Once again, thank you for your interest and concern.

Sincerely yours,

Thomas M. Dorman
Executive Director

TMD/amb

Paul E. Patton, Governor

Janie A. Miller, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

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Chairman

Gary W. Gillis
Vice Chairman

Robert E. Spurlin
Commissioner

August 7, 2003

James A. Shope
107 Woodlawn Ave.
Russell, KY 41169

RE: Case No. 1999-00165

Dear Mr. Shope:

The Commission is in receipt of your August 4, 2003 letter concerning Columbia Gas of Kentucky's Customer Choice Program. Your letter has been placed in the official case file of this proceeding. Please be assured that the Commission will carefully analyze the application before rendering a final decision in this matter.

If you would like more information regarding this case, please feel free to contact my staff at 502-564-3940. Additionally, you can find information related to this case including orders issued by the Commission on our website: psc.ky.gov.

Once again, thank you for your interest and concern.

Sincerely yours,

Thomas M. Dorman
Executive Director

TMD/amb

Paul E. Patton, Governor

Janie A. Miller, Secretary
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Martin J. Huelsmann
Chairman

Gary W. Gillis
Vice Chairman

Robert E. Spurlin
Commissioner

August 7, 2003

Ms. Lorene J. Hern
204 Greenup Road
Russell, KY 41169

RE: Case No. 1999-00165

Dear Ms. Hern:

The Commission is in receipt of your August 5, 2003 letter concerning Columbia Gas of Kentucky's Customer Choice Program. Your letter has been placed in the official case file of this proceeding. Please be assured that the Commission will carefully analyze the application before rendering a final decision in this matter.

If you would like more information regarding this case, please feel free to contact my staff at 502-564-3940. Additionally, you can find information related to this case including orders issued by the Commission on our website: psc.ky.gov.

Once again, thank you for your interest and concern.

Sincerely yours,

Thomas M. Dorman
Executive Director

TMD/amb

Paul E. Patton, Governor

Janie A. Miller, Secretary
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Martin J. Huelsmann
Chairman

Gary W. Gillis
Vice Chairman

Robert E. Spurlin
Commissioner

August 7, 2003

Georgia Rodes
966 Mason Headley
Lexington, KY 40504

RE: Case No. 1999-00165

Dear Ms. Rodes:

The Commission is in receipt of your July 25, 2003 letter concerning Columbia Gas of Kentucky's Customer Choice Program. Your letter has been placed in the official case file of this proceeding. Please be assured that the Commission will carefully analyze the application before rendering a final decision in this matter.

If you would like more information regarding this case, please feel free to contact my staff at 502-564-3940. Additionally, you can find information related to this case including orders issued by the Commission on our website: psc.ky.gov.

Once again, thank you for your interest and concern.

Sincerely yours,

Thomas M. Dorman
Executive Director

TMD/amb

Paul E. Patton, Governor

Janie A. Miller, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

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Martin J. Huelsmann
Chairman

Gary W. Gillis
Vice Chairman

Robert E. Spurlin
Commissioner

August 7, 2003

Mr. & Mrs. Samuel Nava
187 Cumberland Drive
Georgetown, KY 40324

RE: Case No. 1999-00165

Dear Mr. & Mrs. Nava:

The Commission is in receipt of your July 25, 2003 letter concerning Columbia Gas of Kentucky's Customer Choice Program. Your letter has been placed in the official case file of this proceeding. Please be assured that the Commission will carefully analyze the application before rendering a final decision in this matter.

If you would like more information regarding this case, please feel free to contact my staff at 502-564-3940. Additionally, you can find information related to this case including orders issued by the Commission on our website: psc.ky.gov.

Once again, thank you for your interest and concern.

Sincerely yours,

Thomas M. Dorman
Executive Director

TMD/amb

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AUG 06 2003

PUBLIC SERVICE
COMMISSION

204 Greenup Rd
Russell, Ky 41169
8-5-03

Dear Mr. Dorman:

Please support continuing the Columbia Gas of Ky., Inc. Choice Program Case No 1999-00165.

With all the increases in all services that a family must have every 5% less is helpfull and very necessary.

Thank you,
Lorene J. Hern

(Kenneth Hern is deceased.

107 Woodlawn Ave.
Russell, Ky 41169
August 4, 2003

RECEIVED
AUG 06 2003
PUBLIC SERVICE
COMMISSION

To: Thomas M. Dorman
Public Service Commission
Executive Director

From: James A. Shope

Customer ID number: 320593

RE: In support of continuing the Columbia Gas of Kentucky, Inc. Choice Program Case no. 1999-00165

Each gas user of Kentucky should have the choice of a gas supplier for their house/property other than Columbia Gas of Kentucky who want a monopoly on this trade. I support the continuing of the Columbia Gas of Ky., Inc. Choice program case no. 1999-00165. Please reject Columbia Gas's motion filed with the Kentucky Public Service Commission to terminate the Customer's Choice Program.

Sincerely,

James A. Shope

August 4, 2003

RECEIVED

AUG 06 2003

PUBLIC SERVICE COMMISSION

Mr. Thomas M. Dorman
Public Service Commission
Executive Director
211 Sower Boulevard
Post Office Box 615
Frankfort, Ky. 40602 - 00165

Dear Mr. Dorman:

Re: In support of continuing the Columbia Gas of Kentucky, Inc. Choice Program Case No. 1999-00165.

I request your support and of the Public Service Commission in the continuation of the Columbia Gas of Kentucky Inc, Choice Program.

There have been several large increases in the past two years granted by your commission to Columbia Gas and this Customer Choice Program has given some small relief in our natural gas cost.

I request your aid and that of the commission in the continuation of this program.

Sincerely yours,

Elmer T. Lee

Elmer T. Lee

Elmer T. Lee
1044 Cherokee Trail
Frankfort, KY 40601

RECEIVED

AUG 0 6 2003

PUBLIC SERVICE
COMMISSION

August 2, 2003

Thomas M. Dorman
Public Service Commission
Executive Director
211 Sower Boulevard
Post Office Box 615
Frankfort, Ky 40602-0615

RE: In support of continuing the Columbia Gas of Kentucky, Inc. Choice Program Case No. 1999-00165

Dear Mr. Dorman,

I just wanted to express my support of the Choice Program. I have been a participant for the past 12 months and have been very satisfied with the existing flexibility and cost savings. I feel that it is important to give the consumer more than one alternative whenever possible. Thank you for your consideration in this matter.

Sincerely,

John H. Huang
2217 Savannah Lane
Lexington, KY 40513
(859) 296-0056

Monday, August 04, 2003

RECEIVED

AUG 06 2003

PUBLIC SERVICE COMMISSION

Thomas M. Dorman
Public Service Commission
Executive Director
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602-0615

RE: In support of continuing the Columbia Gas of Kentucky, Inc. Choice Program
Case No. 1999-00165

Mr. Dorman,

I fully support the customer choice program and would like to express my concern regarding the possible termination of the service.

Respectfully submitted,

Larry Allen Lewis

Larry Allen Lewis

729 Riverwood Lane
Lexington, KY 40514-1731

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. 1999-00165

SUPPLEMENTAL DATA REQUEST OF COMMISSION STAFF
TO COLUMBIA GAS OF KENTUCKY, INC.

Columbia Gas of Kentucky, Inc. ("Columbia"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 8 copies of the following information, with a copy to all parties of record. The information requested herein is due August 18, 2003. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to the response to Item 1(c) of the First Data Request of Commission Staff, which describes Columbia's methodology for calculating customer savings achieved under its Customer Choice Program. The reports in Attachment 2 to

the response include a column headed "Total Difference" that is carried forward to provide the "Total Savings" shown in the summaries of those reports contained in Attachment 1 to the response.

a. Provide a detailed explanation of how the amounts in the "Total Difference" column of the reports included in Attachment 2 are derived.

b. For every third month, beginning in December 2000 and continuing through March 2003, provide supporting workpapers, spreadsheets, etc. that show the derivation of the "Total Difference" amounts for the residential and commercial customers served by Interstate Gas Supply, Inc. ("IGS"), as reflected in the reports in Attachment 2 taken from Columbia's CAB billing system.

2. Refer to Exhibits D and E of the response to the Staff's First Data Request to IGS, which show IGS's calculation of savings for the Customer Choice Program customers its serves.

a. The EGC and GCR amounts shown on the exhibits appear to match the amounts reported by Columbia in its response to IGS's Interrogatory No. 4. In addition, the calculation of IGS's price per MCF, performed by dividing total sales by total usage, appears to be mathematically accurate. Per IGS's response to Item 3(d) of the Staff data request, the total sales and total usage data came from Columbia's remittance statements to IGS. Explain whether Columbia's records correspond to the sales and usage data in the IGS exhibits. Identify and describe any discrepancies observed by Columbia.

b. The results of IGS's savings calculation differ significantly from the resulted reported by Columbia. Describe any aspects of IGS's calculations with which Columbia disagrees or which it disputes in any way.

Thomas M. Dorman
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, Kentucky 40602

DATED August 5, 2003

cc: All Parties

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. 1999-00165

FIRST DATA REQUEST OF COMMISSION STAFF
TO INTERSTATE GAS SUPPLY, INC.

Interstate Gas Supply, Inc. ("IGS"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 8 copies of the following information, with a copy to all parties of record. The information requested herein is due August 18, 2003. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to Item 3(c) of IGS's response to the Commission Staff's First Data Request to IGS and Exhibits C-1 through C-4 of that response. The exhibits indicate that, in its Winter 2000 Marketing Material, IGS marketed a percentage discount to customers while, in its Spring 2001 and Fall 2001 Marketing Material, IGS marketed fixed price products.

a. Is this summary description of IGS's marketing efforts accurate? If no, explain how IGS's marketing efforts differed from this description.

b. For each of the eight rate products identified in the response, provide the time period when IGS actively marketed the program to customers of Columbia Gas of Kentucky, Inc. ("Columbia").

c. Provide the number of customers served under each of the eight rate products, by month, starting with December 2000 and continuing through the most recent month available.

2. Refer to Item 3(d) of the response to Staff's First Data Request to IGS. The second paragraph of the response explains that prices for customers in the first 12 months on the program are compared to Columbia's Expected Gas Cost ("EGC") while after 12 months the comparison is to Columbia's Gas Cost Rate ("GCR"). The third paragraph, in the last sentence, refers to customers who were in the program for 12 months or more, but states that the comparison was to the EGC, not the GCR. Provide an explanation of this apparent discrepancy in the two sections of the response.

3. Exhibit A of the response to Staff's First Data Request to IGS indicates that customers participating in the Customer Choice Program of Columbia Gas of Ohio saved an average of 10 percent on the commodity portion of their bills from April 1997 through April 2003. The calculated savings for IGS customers participating in Columbia's program equal approximately 3.5 percent, based on the information in Exhibits D and E of that response. As a marketer in Ohio, provide IGS's explanation for why the percentage of savings for Ohio customers is roughly three times that of Kentucky customers.

4. Refer to Exhibits D and E of the response to Staff's First Data Request to IGS. Earlier in the response IGS explains the differences in how the exhibits were prepared and points out that Exhibit E includes May 2003 while Exhibit D only goes through April 2003. It appears that using a different methodology in Exhibit E, absent the addition of May 2003, reduces the calculated net savings from the $2.79 million in Exhibit D to $2.57 million. Is this statement accurate? If no, explain why.

5. Refer to Exhibits D and E of the response to Staff's First Data Request to IGS. The savings to customers in the first 4 months it participated in the program (December 2000 through March 2001) were $1.8 million while savings in the final 3 months shown in Exhibit E (March 2003 through May 2003) were $2.86 million. These two amounts, from just 7 of the 30 months that IGS participated in the program, total roughly $4.7 million, while the overall savings for the full 30 months is shown as $3.1 million. Those months also represent the seven highest individual monthly savings amounts during this period. Explain why these results occurred and describe the factors that contributed thereto.

6. Refer to Item 10(b) of IGS's response to Columbia's Initial Data Request to IGS where it objects to and declines to provide the cost of the software in which it has invested to serve Kentucky customers. IGS states that the cost of the software is not "reasonably calculated to lead to the discovery of admissible information." It also indicates that the information is confidential and proprietary.

a. Given that IGS referred to its "substantial" investment in software in its petition in this proceeding, explain why it claims that providing the cost is not reasonably calculated to lead to the discovery of admissible information.

b. Explain whether IGS believes its investment in software to serve its Kentucky customers is relevant to this proceeding. If no, explain why a reference to this investment was included in IGS's petition. If yes, explain why IGS should not provide the cost. IGS is reminded that there are provisions for requesting confidential treatment of information that is confidential and proprietary.

7. Refer to Item 10(f) of IGS's response to Columbia's Initial Data Request to IGS where it objects to and declines to provide the cost of the customer service department in which it has invested to serve Kentucky customers. IGS states that the cost is not "reasonably calculated to lead to the discovery of admissible information." It also indicates that the information is confidential and proprietary.

a. Given that IGS referred to its "substantial" investment in the customer service department in its petition in this proceeding, explain why it claims that providing the cost is not reasonably calculated to lead to the discovery of admissible information.

b. Explain whether IGS believes its investment in the customer service department to serve its Kentucky customers is relevant to this proceeding. If no, explain why a reference to this investment was included in IGS's petition. If yes, explain why IGS should not provide the cost. IGS is reminded that there are provisions for requesting confidential treatment of information that is confidential and proprietary.

Thomas M. Dorman
Executive Director
Public Service Commission
Post Office Box 615
Frankfort, Kentucky 40602

DATED: August 5, 2003

cc: All parties

John W. Bentine
Chester Willcox & Saxbe LLP
65 East State Street
Suite 1000
Columbus, OH 43215-4213

Honorable David F. Boehm
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 2110
Cincinnati, OH 45202

Honorable Douglas M. Brooks
Senior Counsel Specialist, Reg.
Louisville Gas and Electric Company
220 W. Main Street
P. O. Box 32010
Louisville, KY 40232-2010

Mr. Jack E. Burch
Executive Director
Community Action Council
892 Georgetown Street
P. O. Box 11610
Lexington, KY 40576

Honorable Ann Louise Cheuvront
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY 40601-8204

Honorable Joe F. Childers
Attorney
201 West Short Street
Suite 310
Lexington, KY 40507

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

James R. Cox
209 Breckinridge Lane
Louisville, KY 40207

Honorable John M. Dosker
Attorney at Law
Stand Energy Corporation
1077 Celestial Street
Building 3, Suite 110
Cincinnati, OH 45202-1629

Mr. Edward W. Gardner
Director Of Litigation
Lexington-Fayette Urban County
Government
Department Of Law
200 East Main Street
Lexington, KY 40507

Honorable Stephen B. Seiple
Attorney at Law
Columbia Gas of Kentucky, Inc.
2001 Mercer Road
P. O. Box 14241
Lexington, KY 40512-4241

Bobby Singh
Chester Willcox & Saxbe LLP
65 East State Street
Suite 1000
Columbus, OH 43215-4213

Honorable Richard S. Taylor
Attorney at Law
225 Capital Avenue
Frankfort, KY 40601

This is the Service List for Case 1999-00165

July 30, 2003

RECEIVED

AUG 05 2003

PUBLIC SERVICE
COMMISSION

Mr. Thomas M. Dorman
Public Service Commissioner
Executive Director
211 Sower Boulevard
Post Office Box 615
Frankfort, Ky 40602

RE: ~~In Support of Continuing the~~
Columbia Gas of Kentucky, Inc.
Choice Program - Case # 1999-00165

Dear Mr. Dorman,

Crystalbrook Condominiums, a 112 Unit Complex, is strongly in support of continuing the above referenced program especially in light of the anticipated cost increase in natural gas this coming winter.

Monies saved on annual energy expenditures is utilized for the endless and highly expensive maintenance and multifaceted projects that are greatly needed for the Complex.

Respectfully,

Paul Winters

Paul Winters
President/Manager

PDW/gjm

Crystal Brook Condo
1310 Louisville, Rd.-Office
Frankfort, Ky 40601

Hutcherson, Susan G. (PSC)

Case 1999-00165

From: Melnykovych, Andrew (PSC)
Sent: Monday, August 04, 2003 9:10 AM
To: 'CDL01@CS.COM'
Subject: RE: In support of continuing the Columbis Gas of Kentucky, Inc. Choice Program Case

Andrew Melnykovych
Director of Communications
Kentucky Public Service Commission
502-564-3940 x208

Your comments have been received and will be placed in the case file.

-----Original Message-----
From: Public Information Officer (PSC)
Sent: Sunday, August 03, 2003 4:01 PM
To: Melnykovych, Andrew (PSC)
Subject: FW: In support of continuing the Columbis Gas of Kentucky, Inc. Choice Program Case

----

From: Cdl01@cs.com[SMTP:CDL01@CS.COM]
Sent: Sunday, August 03, 2003 4:00:43 PM
To: psc.info@mail.state.ky.us
Subject: In support of continuing the Columbis Gas of Kentucky, Inc. Choice Program Case
Auto forwarded by a Rule

Dear KPSC,
I want the Customer Choice program to stay in effect. It is our right as customers as well as Americans to have options . I appreciate the ability to lock-in a fixed rate for a period of time, so that I can budget my spending. The guaranteed savings option is wonderful aswell. I like having the options and actually having a choice.

Hutcherson, Susan G. (PSC)

From: Melnykovych, Andrew (PSC)
Sent: Monday, August 04, 2003 9:10 AM
To: 'CDL01@CS.COM'
Subject: RE: In support of continuing the Columbis Gas of Kentucky, Inc. Choice Program Case

RECEIVED
AUG 04 2003
PUBLIC SERVICE COMMISSION

Andrew Melnykovych
Director of Communications
Kentucky Public Service Commission
502-564-3940 x208

Your comments have been received and will be placed in the case file.

-----Original Message-----
From: Public Information Officer (PSC)
Sent: Sunday, August 03, 2003 4:01 PM
To: Melnykovych, Andrew (PSC)
Subject: FW: In support of continuing the Columbis Gas of Kentucky, Inc. Choice Program Case

----

From: Cdl01@cs.com[SMTP:CDL01@CS.COM]
Sent: Sunday, August 03, 2003 4:00:43 PM
To: psc.info@mail.state.ky.us
Subject: In support of continuing the Columbis Gas of Kentucky, Inc. Choice Program Case
Auto forwarded by a Rule

Dear KPSC,
I want the Customer Choice program to stay in effect. It is our right as customers as well as Americans to have options . I appreciate the ability to lock-in a fixed rate for a period of time, so that I can budget my spending. The guaranteed savings option is wonderful aswell. I like having the options and actually having a choice.

7/31/2003

RECEIVED

AUG 0 4 2003

PUBLIC SERVICE COMMISSION

RECEIVED

AUG 0 4 2003

PUBLIC SERVICE COMMISSION

Thomas M. Dorman
Public Service Commission
Executive Director
211 Sower Boulevard
Post Office Box 615
Frankfort, Ky. 50602-0615

Re: In support of continuing the Columbia Gas of Kentucky Inc. ~~Choice Program Case No.~~ 1999-00165.

Dear Mr. Dorman,
I am a customer of Interstate Gas Supply, Inc. I respectfully request that you do not terminate the Customer Choice Program as Columbia Gas has requested. I am in support of being able to choose my own gas supplier.

Thank you,

Anna S Graves

Anna S. Graves
712 Dardanelles Drive
Lexington, Ky. 40503
Customer ID #311753

RECEIVED
AUG 0 4 2003
PUBLIC SERVICE COMMISSION

Margaret & Charles Washington

July 30, 03

Response
Dear Sir

Re - In support of continuing the Columbia Gas of Ky The Choice program Case No 1999-00165. I would like to be kept in the program.

Thank you very much

Charles & Margaret Washington
2326 Pierson
Lex, Ky 40505

To Thomas M Dorman
Public Service Commission
Executive Director

Charles ~~Wright~~ Washington
2326
PIERSON
1851
Lexington, KY 40505

Charles Wakefield
2326 Preston
Lexington Ky 405

LEXINGTON KY 405
PM
31 JUL
2003

Thomas M Dorman, Public Service Commission.
(Executive Director)
211 Sower Boulevard (Post Office Box 615)
Frankfort, Ky 40602-0615

40601/8294

Hutcherson, Susan G. (PSC)

From: Melnykovych, Andrew (PSC)
Sent: Friday, August 01, 2003 3:58 PM
To: 'MISH4UK@AOL.COM'
Subject: RE: COLUMBIA GAS OF KY. CHOICE PROGRAM, CASE# 1999-00165

Mr. Payne:

Your comments have been received and placed into the case file in this matter.

Andrew Melnykovych
Director of Communications
Kentucky Public Service Commission
502-564-3940 x208

-----Original Message-----
From: Public Information Officer (PSC)
Sent: Wednesday, July 30, 2003 3:22 PM
To: Melnykovych, Andrew (PSC)
Subject: FW: COLUMBIA GAS OF KY. CHOICE PROGRAM, CASE# 1999-00165

> ----------
> From: Mish4uk@aol.com[SMTP:MISH4UK@AOL.COM]
> Sent: Wednesday, July 30, 2003 3:22:15 PM
> To: psc.info@mail.state.ky.us
> Subject: COLUMBIA GAS OF KY. CHOICE PROGRAM, CASE# 1999-00165
> Auto forwarded by a Rule
>

RE: IN SUPPORT OF CONTINUING THE COLUMBIA OF KENTUCKY, INC. CHOICE PROGRAM CASE NO. 1999-00165.

WE SHOULD CONTINUE THE ABOVE PROGRAM.

WHAT IS THE BENEFIT OF DEREGULATION IF THE CONSUMER DOES NOT HAVE A CHOICE AND/OR OBTAIN SOME SAVINGS? I BELIEVE THIS PROGRAM WILL AID COLUMBIA GAS IN BEING COST EFFICIENT AND GIVE THE CONSUMER SOME SAVINGS IN THE PROCESS.

THANK YOU FOR YOUR CONSIDERATION.

REX PAYNE
201 BAYWOOD DR.
NICHOLASVILLE, KY 40356

EMAIL: REX4UK@YAHOO.COM

RECEIVED

AUG 0 1 2003

PUBLIC SERVICE
COMMISSION

July 30, 2003

Thomas M. Dorman
Public Service Commission
Executive Director
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602-0615

Re: In support of continuing the Columbia Gas of Kentucky, Inc. Choice Program Case No. 1999-00165

Dear Mr. Dorman:

This letter is in support of the Choice Program which we have had the privilege of utilizing giving us a savings on our monthly gas bill. Please register us as in support of it. Thank you.

Sincerely,

Thomas H. Pinkstaff
Demaris L. Pinkstaff

Thomas H & Demaris L. Pinkstaff
10 Ct. of Champions
Nicholasville, KY 40356

6035 Riva Ridge Road
Versailles, KY 40383
August 1, 2003

RECEIVED

AUG 01 2003

PUBLIC SERVICE
COMMISSION

Thomas M. Dorman
Public Service Commission
Executive Director
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602-0615

Re: In support of continuing the Columbia Gas of Kentucky, Inc. Choice Program Case No. 1999-00165

Dear Mr. Dorman,

Please allow the permanency of the Customer Choice Program for Columbia Gas of Kentucky. We have a family of seven so we need to budget our spending. Having a choice we have decided on IGS energy which allows me to lock-in a fixed rate for a year. This has helped us to save some money for our oldest child to go to college next year. Without the ability to have a guaranteed savings option we would be have to pay the additional 5% on each bill and not save money for college. Even 5% on a $90 bill can add up.

Thank you for your consideration,

Michael Huster

Michael Huster

Kentucky State University Frankfort, Kentucky 40601

July 30, 2003

RECEIVED

AUG 0 1 2003

PUBLIC SERVICE
COMMISSION

Mr. Thomas M. Dorman
Public Service Commissioner
Executive Director
211 Sower Boulevard
Post Office Box 615
Frankfort, Ky 40602

RE: In Support of Continuing the
Columbia Gas of Kentucky, Inc.
Choice Program - Case # 1999-00165

Dear Mr. Dorman,

Kentucky State University is strongly in support of continuing the above referenced program especially in light of the anticipated cost increase in natural gas this coming winter.

Monies saved on annual energy expenditures is utilized in funding other educational activities that are greatly needed.

Respectfully,

Don E. Carter

Don E. Carter, Director
Facility Services

DEC/gjm

RECEIVED

AUG 0 1 2003

PUBLIC SERVICE
COMMISSION

July 30, 2003

Mr. Thomas M. Dorman
Public Service Commission
Executive Director
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602-0615

Re: In support of continuing the Columbia Gas of Kentucky, Inc. Choice Program Case No. 1999-00165

Dear Mr. Dorman:

It is my understanding that a motion has been filed by Columbia Gas of Kentucky, Inc. to terminate the Customer Choice program. Such action appears to clearly eliminate the opportunity to choose an alternate gas supplier as well as the guaranteed savings. Indications are that natural gas could be in shorter supply this winter and therefore sold at a higher price. Please deny the motion.

Sincerely,

David E. Griffith
224 Quail Run Drive
Georgetown, KY 40324
Customer ID 143062

Tuesday
July 29, 2003

~~AG~~
A9

Re: In Support of continuing the Columbia Gas of Kentucky, Inc. Choice Program Case No. 1999-00165.

We are a household of 9, as we have 7 Children, and having a Choice of our gas supplier has been very helpful to our family. We have enjoyed the savings and hope the program will continue. If our gas prices go higher we will be forced to heat with wood. Please help us continue to have a choice. Thank You.

Sincerely,
Navas
Samuel & Tammie Nava
187 Cumberland Drive
Georgetown, KY
40324

RECEIVED
JUL 31 2003
PUBLIC SERVICE COMMISSION

RECEIVED
JUL 28 2003
PUBLIC SERVICE
COMMISSION

Georgia H. Rhodes
966 Mason Headley
Lexington, Kentucky
40504

July 25, 2003

Dear Mr. Damon -

I have been enrolled in the Columbia Gas of Kentucky, inc. choice program - case number 1999-00165.

I would like to continue in this program and would appreciate your help.

Thanking you in advance for your support -

Georgia Rhodes

Phone (859) 278-7000

Columbia Gas account no:
10615259 001 000 8

REED WEITKAMP
SCHELL & VICE PLLC

500 West Jefferson Street, Suite 2400
Louisville, Kentucky 40202-2812
Telephone 502.589.1000
Facsimile 502.562.2200
mharville@RWSVlaw.com

MARY R. HARVILLE

July 24, 2003

RECEIVED

JUL 25 2003

PUBLIC SERVICE COMMISSION

Via Federal Express

Thomas M. Dorman, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

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 Program, Case No. 1999-00165*

Dear Mr. Dorman:

Enclosed for filing in the above action are the original and ten photocopies of the Comments of the National Energy Marketers Association. A copy of the document was previously sent by facsimile transmission to the PSC on July 24.

Please file stamp the extra copy of this document and return it to me in the self-addressed, postage-prepaid envelope which I have provided. Thank you for your assistance in this matter.

Sincerely,

Mary R. Harville

MRH/kmc
Enclosures
cc: Craig G. Goodman

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUL 25 2003

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. 1999-00165

COMMENTS OF THE
NATIONAL ENERGY MARKETERS ASSOCIATION

The National Energy Marketers Association (NEM) hereby submits these comments stating its position on the Motion of Columbia Gas to terminate its small volume gas transportation service on March 31, 2004, pursuant to Appendix A of the Commission's Order of July 15, 2003, in the above-referenced proceeding. For the reasons set forth below NEM urges the Commission to continue, expand and make permanent implementation of the choice program and opposes the Motion of Columbia for early termination of the choice program.

I. Introduction

Through prior Orders in this proceeding, the Commission approved a small volume transportation program ("Choice Program") proposed by Columbia Gas of Kentucky, Inc. ("Columbia"), which is to operate as a pilot program through October 31, 2004. On June 6, 2003, Columbia filed a motion requesting Commission approval to terminate its pilot Choice Program effective March 31, 2004 ("Columbia's Petition"). On June 12, 2003, Interstate Gas Supply, Inc. ("IGS") filed a petition requesting that the Choice Program be continued permanently ("IGS's Petition").

II. Columbia's Motion Should Be Denied

Columbia filed an application for the early termination of its small volume gas transportation program effective March 31, 2004. Columbia argues that the pilot program should be terminated because: 1) "in the aggregate customers are not saving money;" 2) Columbia would likely incur "substantial" stranded costs if the program were to run beyond March 31, 2004; and 3) due to the workings of storage contracts, March 31, 2004, is the logical time to conclude the program. Columbia further requests: 1) to limit marketer participation in the program to the existing participants; 2) to no longer make customer lists available to marketers; and 3) to educate customers about the termination of the program. For the reasons set forth below, NEM submits that Columbia's Motion should be denied and that the pilot program should be permitted to continue indefinitely.

Columbia asserts that customers in the aggregate have not achieved savings in the program and therefore the program should be terminated. However, Columbia does recognize that individual customers have achieved savings. The individual customers that did achieve savings (by Columbia's definition) should not be denied the ability to achieve similar savings in the future from competitive options. Additionally, contrary to Columbia's assertion, one of the marketers participating in the program states that, "[a]s of April 2003, IGS estimates that it has provided its customers with savings in excess of $2.7 million."[1]

Furthermore, without conceding that Columbia's savings analysis is correct, NEM submits that the value of choice programs to customers is not limited solely to savings. Rather, customers also benefit from the opportunity to choose additional value-added offerings from competitive

[1] Petition of IGS at page 10.

suppliers, such as fixed rate plans or plans that guarantee a percentage savings from Columbia's rate. In its Customer Choice Program Annual Report, Columbia states that, "[a]s of May 2003, the latest numbers available, 46,095 customers representing approximately 33% of eligible customers had enrolled with a marketer." (Report at page 2). The sheer volume of migration to competitive marketers clearly reveals that Kentucky consumers feel they receive value from participation in the program.

Columbia states with respect to the choice program that in recent months, "[f]or numerous customers, the fixed price rate they paid exceeded Columbia's gas cost." (Report at pages 2-3). NEM submits that Columbia's sales commodity price varies seasonally with higher prices in the peak-use winter months and lower prices in off-peak summer months. Therefore, a snapshot of commodity prices that focuses on months rather than years may not accurately capture the total "opportunity" for customer savings that can be accrued over longer periods of time. Additionally, NEM submits that Columbia's analysis fails to recognize that certain customers place a premium on receiving a fixed rate for gas and feel they derive value from the program in that manner. These shopping customers had the opportunity to select a product from the competitive market that guaranteed them savings off of the GCR rate. However, instead, they decided to choose a fixed price rate product. Evidently, the ability to pay a fixed price for gas commodity and be protected from the volatility of Columbia's variable price was an important consideration for these consumers.

Columbia also asserts that it would incur substantial stranded costs if the program were permitted to continue beyond March 31, 2004, and thereby violate the revenue neutrality principle embodied in the order establishing the program. However, Columbia notes that stranded costs are currently over-funded by $1.67 million. Columbia projects that for the period of May 2003 through March 2004 it will accrue further stranded cost over-funding in the amount of $542,403.

(Attachment 2). As a result, Columbia projects total stranded cost over-funding of $2,215,219 by March 2004. (Id.) Columbia has failed to provide any evidence that it will incur these supposed "substantial" stranded costs but rather that it has received and will continue to receive a net benefit.

With respect to stranded costs, NEM submits that revenues lost due to migration should be calculated and netted against benefits after actual migration has occurred. NEM submits that once the Commission determines that a reasonable migration level has occurred, then a calculation of the difference between the revenues that the utility would have received using fully embedded cost-based rates and the revenues actually received by the utility due to lost sales of specific services from the menu of competitive products, services, information and technology that each customer actually elects to purchase from a competitive supplier should be compared to determine the maximum amount of potentially "qualifying revenue losses" that must be netted against benefits and thereafter may be arguably recoverable, subject to the following qualifications:

1. The utility must show that the costs are material.
2. The utility must demonstrate that they have productively managed and reasonably mitigated costs in the subject areas.
3. The utility must not be earning in excess of their earnings cap, and
4. The utility must identify specifically which costs or revenue losses are a result of (a) the utility being required to provide Provider of Last Resort services and/or (b) the utility's need to provide fully bundled services to customers that do not migrate, and
5. The utility must quantify the net benefits associated with the costs saved by not serving migrating load.

After the qualifying revenue losses have been calculated in this fashion, Columbia should file with the Commission a proposal to recover these costs, if any, in the form of a competitively neutral charge spread properly over all users of its distribution system.

Columbia further argues that the program should be terminated in March 2004 because of the way storage contracts work. However, Columbia previously argued and the Commission accepted that October 31, 2004, was a logical end date for the pilot program because, "the October

31, 2004 termination corresponds to the expiration of most of its long-term capacity contracts." March 6, 2000 Order at page 2. Early termination of the program would run contrary to this rationale.

NEM submits that Columbia has failed to raise a compelling argument for the termination of the program, early or otherwise. On the contrary, NEM urges the Commission to continue, expand and make permanent the Columbia Choice Program and supports the Petition and Testimony of IGS in that regard. The continuation, expansion and permanent institution of the program is fair, equitable and in the public interest because the program is offered on a voluntary basis and provides customers an opportunity for savings as well as the opportunity to receive other value-added offerings. Customers that have benefited from participation in the program as well as prospective customers should not be denied the opportunity to lower energy costs and enjoy true competition for their energy-related needs. The fact that consumers, the utility and participating marketers have all benefited from the operation of the program should be clear and convincing evidence of its success and value to the public. It would be contrary to the public interest and good public policy and governance to terminate a choice program that has achieved significant success in the short time since its implementation. Moreover, eliminating or proposing to eliminate a successful program after private capital has been invested to serve consumers in the state of Kentucky increases the risk of doing business in the state substantially, making it even more difficult to raise investment capital in the future.

NEM submits that the 33% customer participation level is clear and convincing evidence of the success of Columbia's Choice Program and supports its expansion into a permanent program. NEM submits that, in general, pilot programs have many inherent traits that discourage robust participation. For example, because pilot programs are not permanent, suppliers are hesitant to commit the substantial capital, time, and effort to enter and participate in the program without assurance from the Commission that the program will exist long enough for them to see a return on their investments. Additionally, consumers are hesitant to take the time and effort needed to educate themselves about a pilot program that may not become a permanent offering from their LDC. NEM submits that despite the usual disincentives to participating in pilots, one out of every three Kentucky consumers eligible for the choice program actively chose to take part in the program.

NEM submits that the slight dip in participation from 36% in 2002 to 33% in 2003 is not evidence that "interest in the Program has subsided." NEM urges the Commission to consider the fact that the dip in participation is likely the combined result of IGS's not accepting new enrollments pending resolution of Columbia's restrictive mandatory capacity filing and the uncertainty as to the future of the Choice Program and its threatened termination.[2] NEM submits that, according to Scott White, the President of Interstate Gas Supply, Inc., "[u]pon settlement of the mandatory capacity issue, IGS began accepting new enrollments, which has caused participation to increase by approximately 2,200 customers just from April through July 2003," ". . . an increase of 5.75% in the number if customers served by IGS."[3] Since IGS is the largest supplier in Columbia Gas of Kentucky's Choice Program, an increase in customers that IGS serves has a substantial impact on the percent of eligible customers state-wide participating in the pilot.

From a broad perspective, choice programs such as those offered in the Columbia service territory provide consumers with a myriad of benefits, not limited to savings. These benefits include access to innovative new offerings of products, services, information and technology. Access to these new offerings also permits consumers to gain greater control over their energy bill.

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[2]Petition of IGS at page 4.
[3] Id.

Furthermore, as more alternative energy suppliers invest in serving customers in this market (as will become more likely when the program is granted permanent status), competitive forces will provide consumers with better price and service options. Lower energy prices lower the cost of doing business in the state thus permitting local companies to better compete, attract new businesses, increase job opportunities and increase state tax revenues. Consumers are smart enough to compare prices, quality of service, reputation and technological innovation. The ability to do business when you want, with whom you want, and then to buy what you want is one of the most efficient consumer protections government can offer. Additionally, the competition that choice programs bring into the market provides extra incentive for existing utilities to provide good customer service and to keep their commodity costs down.

NEM notes that even the objectives established by Columbia and accepted by the Commission in its Order approving the program have been met.[4] NEM further submits that a permanent program will promote these and other goals for the benefit of all Kentucky consumers in this service territory. The choice program has provided an opportunity for consumer savings and has also provided an opportunity for consumers to choose different value-added offerings such as fixed rate plans or plans that guarantee a percentage savings from Columbia's rate. One of NEM's members, IGS, projects that it has saved customers $2.7 million as of April 2003,[5] provided consumers with a choice of rate options, and is the largest supplier in the program that has experienced a 33% migration rate, all of which demonstrates the value customers place on this

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[4] These goals are: 1) an opportunity for consumers to save money on gas bills; 2) provide marketers with flexibility to provide savings by permitting marketers to use their own interstate capacity; 3) revenue neutrality for Columbia with the opportunity for the utility to recover stranded costs; 4) recovery of stranded costs should be transparent to the customer; 5) sales customers should not bear additional charges because of the implementation of the program; and 6) provision of customer education on the operation of the program. (January 27, 2000, Order Approving Program).
[5] Petition of IGS at page 10.

program. Furthermore, Columbia's own Motion reveals that it has benefited from the operation of the program through the accrual of net stranded benefits estimated at $2,215,219 by March 2004.

Consumers should not be penalized so that Columbia may engage in off-system-sales and keep 25% of the revenues from such sales, particularly when the so called "stranded costs" that Columbia currently admits to be negative 2.2 million dollars. Prior to the institution of the Choice Program, Columbia was permitted to retain 35% of the revenues from off-system-sales and was not required to offset these revenues by absorbing stranded costs. In approving the new mechanism that is riskier for Columbia, the Commission has created a disincentive for Columbia to retain the Choice program. Columbia's desire to further profit from off system sales should not be a reason to terminate the program and penalize current and prospective consumers who wish to save energy costs.

NEM submits that the Commission should continue and expand the program on a permanent basis subject to the review process outlined in its initial Order approving the program. In that Order the Commission decided,

> In order for rates to be as transparent as possible at the earliest possible time, the Commission finds that a review of costs and rates should be initiated before the end of the proposed five-year program period. A period of three years is a suitable amount of time for the program to progress beyond its initial stages, for customer participation to move at least past the introductory level, and for Columbia to gather preliminary information concerning costs involved in providing small volume transportation service relative to sales service. Because such information will be available at that time, the Commission will then begin the process of retaining an outside consultant, as authorized by KRS 278.255, to review all aspects of the Customer Choice program, to review the issue of a competitive marketplace, and to conduct a fully allocated cost-of-service study that will show what, if any, rates will need to be rebalanced in order to correctly represent costs to provide service.
>
> In addition to the cost review process that will begin at the end of the three-year period and conclude prior to the end of the five-year pilot period, any necessary modifications to the program itself and approved financial model will also be considered. The cost recovery that has occurred through the acceptable revenue

opportunities of capacity assignment, balancing charges, off-system sales, and marketer contributions will be reviewed, and a recommendation made as to whether this method of stranded cost recovery should be continued or modified. Once the consultant's review and report have been completed, the Commission will initiate a proceeding wherein Columbia and other parties may address the results of the consultant's report and other issues relating to the Customer Choice program as identified by the Commission at that time. (emphasis added).

The language quoted above demonstrates the Commission's intention of initiating a formal review of the program that would improve the program for consumers and anticipates its implementation on a permanent basis. NEM urges the Commission to review the program to gain a full and unbiased appreciation of the value that customers, the utility and marketers have derived thus far. The abrupt termination of a successful program would violate Commission precedent and undermine the investment climate in the state for new businesses. NEM offers its, "***National Guidelines for Unbundling and Restructuring the Natural Gas Distribution Function***,"[6] for consideration in the review process.

[6] The full text of NEM's "National Guidelines for Unbundling and Restructuring the Natural Gas Distribution Function" is available at www.energymarketers.com.

III. Conclusion

For the foregoing reasons, NEM urges the Commission to continue, expand and make permanent implementation of the choice program and opposes the Motion of Columbia for early termination of the choice program.

Respectfully submitted,

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Heather L. Master, Esq.
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Counsel for National Energy Marketers Association

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing were mailed, postage prepaid, to the persons shown on the attached service list on the 24th day of July, 2003.

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July 24, 2003

MARY R. HARVILLE

Via Federal Express

RECEIVED
JUL 25 2003
PUBLIC SERVICE
COMMISSION

Thomas M. Dorman, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

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 Program, Case No. 1999-00165

Dear Mr. Dorman:

Enclosed for filing in the above action are the original and ten photocopies of the following documents:

1. Motion for Leave for Full Intervention of Volunteer Energy Services, Inc.; and

2. Motion for Admission Pro Hac Vice of Ms. Janine L. Migden and Memorandum in Support.

Copies of these documents were previously sent by facsimile transmission to the PSC on July 24.

Please file stamp the extra copies of each of these documents and return them to me in the self-addressed, postage-prepaid envelope which I have provided. Thank you for your assistance in this matter.

Sincerely,

Mary R. Harville

Mary R. Harville

MRH/kmc
Enclosures
cc: Janine L. Migden

RECEIVED

JUL 2 5 2003

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	)	CASE NO.
TO CONTINUE ITS GAS COST INCENTIVE	)	1999-00165
MECHANISMS, AND TO CONTINUE ITS	)	
CUSTOMER ASSISTANCE PROGRAM.	)	

MOTION FOR LEAVE FOR FULL INTERVENTION/ COMMENTS ON BEHALF OF VOLUNTEER ENERGY SERVICES, INC.

Pursuant to 807 KAR 5:001 Section 3(8) Volunteer Energy Services, Inc. ("VESI") respectfully moves for Leave for Full Intervention in the above captioned matter. VESI requests that its Leave for Full Intervention be granted for the reasons set forth herein.

Contact Information

As required by 807 KAR 5:001 Section 3(8), the person and party seeking intervention is provided, and communications and correspondence should be directed to the following:

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Counsel for Volunteer Energy Services, Inc.

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Local Counsel for Volunteer Energy Services, Inc.

MEMORANDUM IN SUPPORT

I. INTRODUCTION

At issue in this proceeding is the Application filed by Columbia Gas of Kentucky ("Columbia Gas") to terminate its small volume transportation program ("Choice Program") on March 31, 2004 as opposed to October 31, 2004 in contravention of earlier orders issued by the Public Service Commission of Kentucky ("the Commission" or "PSC") which established the pilot Choice Program. On June 12, 2003, Interstate Gas Supply, Inc. ("IGS") filed a petition ("the IGS Petition") in which it requested that the Choice Program be continued on a permanent basis. On July 10, 2003, the National Energy Marketers Association ("NEM") filed an intervention and supported the IGS Petition. Volunteer Energy Services, Inc. ("VESI") also supports the IGS Petition as well as that of NEM and respectfully seeks intervention for the reasons set forth below.

II. BACKGROUND ON VESI

Volunteer Energy Services, Inc. is a certified retail natural gas supplier in the State of Ohio operating in the Columbia of Ohio Choice Program. It also acts as a wholesale supplier to the Community Action Council Buyers Club ("Buyers Club") which serves approximately 3,000 low income customers in the Lexington, Kentucky area. This program is providing savings to low-income customers and as such, is serving an important role of helping to provide affordable energy to those who are most in need. In its capacity as the wholesale supplier for the Buyers Club, VESI has assumed the mandatory capacity obligation on behalf of the Buyers Club for the delivery of gas to Columbia's customers.

III. VESI SHOULD BE GRANTED FULL INTERVENTION

VESI has a real and substantial interest in the outcome of this proceeding. As the wholesale supplier to the Buyers Club, termination of the Choice Program will have an adverse economic impact on VESI which VESI seeks to preserve through its intervention. For VESI, like other marketers, the early termination of the program will result in a loss of revenues and the loss of business opportunities. Moreover, given that VESI is already active in the Kentucky market as a wholesale supplier assisting the Buyers Club, it is interested in becoming more active in the Kentucky market in the future, depending on the status of the Choice Program. As a marketer, VESI has an interest in advancing the arguments that will lead to the development of a robust competitive market under which there is the opportunity for many suppliers to offer reliable service to customers. The positions advanced by VESI will contribute to the Commission's consideration of the issues at stake in this proceeding.

IV. COLUMBIA'S PETITION SHOULD BE DENIED AND THE CHOICE PROGRAM SHOULD BE CONTINUED PERMANENTLY

As a result of Orders issued by this Commission on January 27, 2000, March 6, 2000 and May 19, 2000 in this proceeding, the Commission established the Choice Program which was designed to be effective through October, 2004. As opposed to seeking to extend this program to enable customers to enjoy the advantages of choosing their own supplier, Columbia now seeks to re-institute the monopoly paradigm. This is clearly a step backwards. The basis for Columbia's petition is that customers in the aggregate are not saving money; Columbia will incur stranded costs if the program were to run beyond March 31, 2004; and that due to the nature of the storage contracts, March, 2004 is a logical time to terminate the program. Columbia also seeks to limit marketer participation to those already participating; to no longer make customer lists available and to begin customer education on the termination of the Choice Program. VESI asserts that Columbia's Application should not only be denied, but that the program should be extended permanently.

One of the goals of the Columbia Choice Program, as set forth by the Commission in its January 27, 2000 Order in this proceeding in this case, is that the Choice Program must offer customers the opportunity to save money on their gas bills. This in fact is occurring as admitted by Columbia when it makes its claim that customers in the aggregate are not saving. That implies that some customers are in fact enjoying the opportunity to save. Indeed, that is the case for the customers of the Buyers Coop who are saving on their gas bills. Moreover, questions must be raised as to the basis of Columbia's claim and whether they have accurately considered data that looks at total saving over the life of the program since its inception. Further, there are other desirable attributes to the Choice program apart from cost savings. For example, rate stability for budgeting purposes is an important factor, especially for those on fixed incomes. Moreover, of greatest significance is what the customers think of the Choice Program. That 33% of the eligible customers or 46,095 customers have chosen to speak with their wallet, by switching from Columbia to a competitive marketer, clearly demonstrates the value customers believe they are deriving. This is especially true when one considers that the forces of customer inertia often work against customers exercising a choice and the program has been in effect for barely three years.

With respect to Columbia's claim as to stranded costs, insufficient data has been presented to substantiate its estimates. Moreover, stranded costs should not be recovered by Columbia unless Columbia can demonstrate that they are the net, verifiable, prudently incurred, reasonable and fully mitigated costs. In recovering these stranded costs, Columbia should not be allowed to earn in excess of its earnings/sharing cap. Once these costs are properly verified, then Columbia should be allowed to recover them in a competitively neutral manner such as through a non-bypassable surcharge.

Columbia's claim that due to the nature of its storage contracts the preferred time to terminate the program is March, 2004, is without merit. This is especially true, given that the original October, 2004 termination date corresponds to the termination date of most of its long-term contracts.

As to Columbia's request to initiate steps leading to termination of the program, they should not be adopted. No public purpose is served by limiting participation as proposed by Columbia.

V. CONCLUSION

Given the issues in controversy, Columbia's petition should not be granted. In it its deliberations on this matter, the Commission will be aided by having before it, the marketers' viewpoint and VESI is one of those marketers.

WHEREFORE, VESI respectfully requests that the Commission grant its full intervention in this proceeding.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing Motion for Leave for Full Intervention/Comments on Behalf of Volunteer Energy Services, Inc. were mailed, postage prepaid, to the persons shown on the attached service list on the 24th day of July, 2003.

M. Jay B. Hull

Counsel for Volunteer Energy Services, Inc.

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUL 25 2003

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. 1999-00165

MOTION FOR ADMISSION PRO HAC VICE
OF MS. JANINE L. MIGDEN
AND MEMORANDUM IN SUPPORT

Now comes Mary R. Harville, an attorney licensed to practice law in the State of Kentucky, and hereby respectfully moves the Commission to admit Ms. Janine Migden of the firm of Hahn Loeser & Parks, LLP to practice before the Commission and appear on behalf of the intervenor, Volunteer Energy Services, Inc. in the above-captioned case. The basis for this Motion is more fully set forth in the attached Memorandum in Support.

Respectfully submitted,

M. R. Harville

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Counsel for Volunteer Energy Services, Inc.

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	)	CASE NO.
TO CONTINUE ITS GAS COST INCENTIVE	)	1999-00165
MECHANISMS, AND TO CONTINUE ITS	)	
CUSTOMER ASSISTANCE PROGRAM.	)	

MEMORANDUM IN SUPPORT

Mary R. Harville, an attorney licensed to practice law in the State of Kentucky, hereby respectfully moves the Commission to permit Ms. Janine L. Migden to appear and practice before the Commission as counsel for the Intervenor, Volunteer Energy Services, Inc. ("VESI") in the above-captioned proceeding. Ms. Migden is a partner in the law firm of Hahn Loeser & Parks, LLP and has also represented VESI and other competitive retail natural gas suppliers before other regulatory agencies for similar matters.

Ms. Migden's business address is 1050 Fifth-Third Center, 21 East State Street, Columbus, OH 43215. She is a member in good standing of the Bar of the state of Ohio (Bar Number 0002310).

Ms. Migden will continue to represent VESI in this proceeding until its final determination, unless permitted to withdraw sooner by order of the Commission or a court of competent jurisdiction. Further, Ms. Migden agrees that she shall be subject to the orders and amenable to the disciplinary action and jurisdiction of this Commission and the Kentucky State Bar in all respects.

WHEREFORE, Mary R. Harville respectfully moves the Commission to grant this Motion for Admission Pro Hac Vice.

Respectfully submitted,

M. R. Harville

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Local Counsel for Volunteer Energy Services, Inc.

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing Motion for Admission Pro Hac Vice of Ms. Janine Migden and Memorandum In Support were mailed, postage prepaid to the persons shown on the attached service list on the 24th day of July, 2003.

M. R. Harville

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RECEIVED
JUL 24 2003
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. 1999-00165

COMMENTS AND TESTIMONY OF
SCOTT WHITE, PRESIDENT,
INTERSTATE GAS SUPPLY, INC.

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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. 1999-00165

COMMENTS AND TESTIMONY OF SCOTT WHITE, PRESIDENT, INTERSTATE GAS SUPPLY, INC.

Q. PLEASE STATE YOUR NAME, ADDRESS, AND POSITION WITH INTERSTATE GAS SUPPLY, INC.

A. My name is Scott White. My business address is 5020 Bradenton Avenue, Dublin, Ohio 43017. I am the President of Interstate Gas Supply, Inc. ("IGS"). My responsibilities as President of IGS include supply and risk management, financing, and regulatory oversight.

Q. PLEASE SUMMARIZE YOUR BACKGROUND AND EXPERIENCE.

A. My career has been in the natural gas industry. I graduated from Ohio University in 1988 with a degree in finance and marketing. I serve on the Board of Directors of IGS, Kingston Oil and Gas, a natural gas production company of which IGS owns a 45% share, and Gatherco Inc., a gas gathering company of which IGS owns a 19% share. I am a member of the Ohio Gas Association and Ohio Oil & Gas Association, and through these organizations, I am involved in and participate in the formation of natural gas policy. Marvin White and I started IGS in 1989, with just 18 commercial customers. IGS has since grown from a three-person company with just under $1 million in sales in 1990, to a company with projected sales of over $500 million and serving over 500,000 customers in Ohio, Pennsylvania, Kentucky, and Michigan. IGS is unique in that it is privately held, has no long-term debt, and relies on traditional bank financing. I attribute IGS's success to our focus on customer service and an understanding of the gas industry that enables reliability and savings for end-users.

Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE ANY STATE PUBLIC SERVICE COMMISSION; AND IF SO, BRIEFLY DESCRIBE THE SUBJECT OF YOUR TESTIMONY.

A. Yes, I have testified before the Public Utilities Commission of Ohio ("PUCO") regarding the implementation of Sub. H. B. No. 9 ("H. B. 9") and the formation of the PUCO's H. B. 9 Rules that generally apply to suppliers, governmental aggregators, and utilities. H. B. 9 and the H. B. 9 Rules directly impact residential natural gas programs in Ohio.

Q. HAVE YOU TESTIFIED BEFORE ANY LEGISLATIVE BODY; AND IF SO, BRIEFLY DESCRIBE THE SUBJECT OF YOUR TESTIMONY.

A. Yes, I was one of only two suppliers to testify before the Ohio House Energy Committee in January 2001, during the enactment of H. B. 9. In addition, I was invited to give testimony and opinions to the Ohio House of Representative's Select Committee on

Ohio's Energy Policy concerning issues affecting energy markets and to provide input on the direction of Ohio's energy policy.

Q. PLEASE PROVIDE SOME BACKGROUND ABOUT IGS AND IGS'S EXPERIENCE WITH NATURAL GAS TRANSPORTATION AND SUPPLY.

A. IGS was founded in 1989 by natural gas industry expert and deregulation pioneer Marvin White and myself, to develop and wholesale Ohio-produced natural gas to interstate gas marketers and brokers. Marvin White, a former President and CEO of Columbia Gas of Ohio, Inc. ("COH") is a well-known expert in the natural gas industry, having worked for over forty years at COH. He instituted the first "Self Help" natural gas program in the United States (gas transportation for non-residentials), working hand-in-hand with the PUCO. The program enabled COH to act solely as the transporter of gas, enabling local gas producers to sell their product directly to industrial customers. This Self Help program was the precursor to today's deregulated natural gas industry.

In 1992, the company shifted its focus to include retailing natural gas directly to the end-user market. Today, IGS is one of the leading suppliers of natural gas in the states of Kentucky and Ohio, supplying over a thousand of the largest natural gas consumers in the states, including industrial, institutional, and large commercial end-users. With the introduction of natural gas restructuring and the availability of supplier choices to residential customers, IGS now supplies more than 500,000 homes and small businesses in many states, including in Kentucky, Michigan, Pennsylvania and Ohio, with their natural gas commodity, in the aggregate saving consumers millions of dollars annually.

Q. WHO ARE SOME OF IGS'S REPRESENTATIVE CUSTOMERS?

A. IGS proudly serves thousands of end-users, including, The State of Kentucky, The City of Ashland, Kentucky, Kentucky State University, The Cleveland Clinic, Ohio University, The Ohio Hospital Association, Allied Signal Automotive, General Mills, Bob Evans Stores, Velvet Ice Cream, Scotts Lawn and Garden, and Wal-Mart Stores to name a few, and over 500,000 residential and small commercial consumers in various choice programs in various states.

Q. GENERALLY SPEAKING, WHAT ARE CHOICE PROGRAMS?

A. Residential and small commercial transportation programs, such as the Columbia Gas of Kentucky Inc. ("CKY" or "Columbia") small volume transportation program, which was approved by the Commission as a pilot program by orders issued January 27, 2000, March 6, 2000, and May 19, 2000, in Case No. 1999-00165, are commonly called "choice" programs (the CKY Program, "Choice Program"). As background information, under deregulation there are four major natural gas industry participants: producers, transmission companies, local distribution companies ("LDC"), and suppliers. Producers are natural gas production companies that explore and develop natural gas reserves. Transmission companies transport the gas from the production and storage fields to various delivery points across the United States through a network of high-volume and high-pressure pipelines. LDCs own and operate pipeline systems that are connected to transmission pipelines, to take delivery of gas from transmission pipelines for redelivery to end-users, which include residential, commercial, and industrial consumers. Suppliers act as intermediaries between gas buyers and end-users, and all the other above-mentioned segments of the industry. Suppliers are also referred to as gas marketers or gas brokers. Suppliers coordinate the sale and delivery of natural gas from the wellhead to end-users' facilities, including the ancillary delivery services, such as the nominating and scheduling on the transmission and distribution networks, necessary to deliver gas to the end-user.

On LDCs that permit or have been required to allow competitive shopping, consumers can commonly purchase their natural gas commodity either as tariff customers (the non-competitive alternative) or as gas transportation customers (the competitive shopping alternative). This competitive shopping transportation alternative for residential and small commercial customers is frequently referred to as "choice" instead of gas transportation. Choice and other transportation consumers can continue to purchase their natural gas from the LDC, which is generally referred to as purchasing "tariff" gas or "GCR" service. Alternatively, consumers can choose to shop for the natural gas commodity and transmission capacity along with related services in the competitive market. Under either alternative, only the charges associated with the commodity and the transmission and associated charges are subject to competition. The charges for distribution and associated ancillary components are regulated and are not subject to competitive procurement. Whether the end-user purchases the gas commodity from the LDC or another supplier, the LDC will continue to perform the standard LDC functions, such as read meters, respond to emergencies, and maintain the LDC-owned distribution pipeline systems.

Choice and transportation programs are a reliable, competitive alternative to GCR service. Consumers seeking to reliably save money opt to purchase their natural gas supplies through transportation or choice programs.

Q. HAS IGS BEEN INVOLVED IN THE FORMATION OF CHOICE PROGRAMS OR AFFECTING NATURAL GAS POLICY IN GENERAL?

A. Yes, IGS has been involved in the formation of choice programs and in affecting natural gas policy. I, on behalf of IGS, was involved in the formation of the Vectren Energy Delivery of Ohio ("VEDO") choice program. In fact, the Staff of the PUCO directed VEDO to request my involvement in the VEDO choice program settlement negotiations to present a voice for suppliers. The Staff of the PUCO wanted my involvement to form a choice program that would attract supplier participation and encourage customer switching. The VEDO choice program was approved by the PUCO by a Finding and Order, issued on August 22, 2002, Case No. 02-1566-GA-ATA that approved a stipulated settlement between VEDO and interested stakeholder parties consisting of suppliers, governmental aggregators, and consumer advocates, similar to this Commission's approval of the stakeholder supported CKY Choice Program. VEDO has opened their system to choice, and enrollments are rising.

I was also involved in the effectuation of Ohio legislation, referred to as H. B. 9, that provided a means to petition the PUCO to open an LDC's system to choice, allowed for governmental aggregation, and gave authority to the PUCO to oversee choice suppliers. I was involved in the PUCO's formation and effectuation of its H. B. 9 Rules that generally apply to choice suppliers, governmental aggregators, and LDCs. I am also involved in the COH "collaborative," a collection of interested parties that interact with COH to resolve COH's system management and policy issues, including the operation of the COH choice program.

Q. WHAT IS IGS'S PARTICIPATION IN CHOICE PROGRAMS?

A. IGS is the largest supplier in the CKY Choice Program. Currently, IGS serves approximately 39,000 CKY Choice Program customers. IGS is one of the largest participants on COH's choice program, serving over 150,000 customers. IGS has a small involvement in the Columbia Gas of Pennsylvania ("CPA") choice program. CKY, CPA, and COH are all Nisource, Inc. ("Nisource") companies, and notably, the COH and CPA choice programs predated and served as models for the CKY Choice Program. IGS also serves a substantial number of customers through the Dominion East Ohio ("Dominion") choice program, the Michigan Consolidated Gas Co. ("MichCon") choice program and the Cincinnati Gas & Electric ("CG&E") choice program.

Q. HAS IGS MADE ANY FILINGS IN THIS PROCEEDING AND WHAT WAS YOUR INVOLVEMENT WITH THESE FILINGS?

A. Yes, IGS has made numerous filings in this proceeding, including: the Petition to Continue and Make Permanent the Choice Program of Columbia Gas of Kentucky, Inc. filed by Interstate Gas Supply ("IGS's Petition"), filed on June 12, 2003, attached hereto as Exhibit A, the Letter from IGS Explaining the Lack of Reference to Columbia's Petition, filed July 8, 2003, attached hereto as Exhibit B, and IGS's First Set of Discovery to Columbia Gas of Kentucky, Inc. ("IGS's Discovery to CKY"), filed July 11, 2003, attached hereto as Exhibit C. I assisted with the preparation of each of these filings and prepared portions of these filings. I reviewed and verified each of these filings for content and accuracy.

Q. ARE EXHIBITS A, B, AND C TRUE AND ACCURATE COPIES OF THE FILINGS?

A. Yes, Exhibits A, B, and C are true and accurate copies of the filings.

IGS MOVES TO INTRODUCE EXHIBITS A, B, AND C.

Q. DID IGS REFER TO CKY'S REQUEST TO TERMINATE ITS CHOICE PROGRAM IN IGS'S FILINGS IN THIS PROCEEDING?

A. Yes, CKY filed its Motion of Columbia Gas of Kentucky, Inc. Requesting Authority to Terminate its Small Volume Transportation Service on June 6, 2003 ("CKY's Motion"), Exhibit D hereto. IGS referred to CKY's Motion only in preparing IGS's Discovery to CKY. For the reasons set forth in IGS's July 8, 2003 letter to the Commission, IGS did not refer to CKY's Motions for IGS's filings prior to IGS's Discovery to CKY.

Q. IS EXHIBIT D A TRUE AND ACCURATE COPY OF THE FILING?

A. Yes, Exhibit D is a true and accurate copy of the filing.

IGS MOVES TO INTRODUCE EXHIBIT D.

Q. DID IGS REFER TO CKY'S ANNUAL REPORTS IN ITS FILINGS IN THIS PROCEEDING?

A. Yes, IGS referred to all three CKY Choice Program Annual Reports in its filings in this proceeding, which are attached hereto as Exhibits E, F, and G.

Q. ARE EXHIBITS E, F, AND G TRUE AND ACCURATE COPIES OF THE FILINGS?

A. Yes, Exhibits E, F, and G are true and accurate copies of the filings.

IGS MOVES TO INTRODUCE EXHIBITS E, F, AND G.

Q. DOES IGS WANT TO GROW AS A CHOICE PROGRAM SUPPLIER?

A. Yes, IGS wants to grow as a choice supplier. IGS believes that restructuring and opening access can provide reliable competitive alternatives and savings to residential and small commercial consumers, over the LDC standard offer GCR service. For example, across rate products, IGS's choice consumers participating in CKY Choice Program have captured significant savings. But perhaps more importantly, a robust competitive market, such as choice, allows end-users to have more control over shopping for their natural gas needs. For example, consumers can select a fixed price product or a percentage savings off the GCR product, or can simply choose not to shop and stay with the GCR service product. Many consumers, such as small commercial end-users, select the fixed price product for a term, because it shields them from the price swings associated with GCR service and allows for certainty in budgeting. The fixed price option brings value to customers, even if the comparable rates end up being higher sometimes. Supplying choice consumers can also be profitable for IGS. Therefore, IGS desires to grow on choice programs of LDCs whose programs appear to offer reliability and operational flexibility. As an indication of IGS's commitment to serving choice programs, IGS has made substantial investments both in software and in developing a customer service department to assist IGS's choice customers. In fact, CKY inspected IGS's facilities on February 21, 2002, and commended IGS's competency in communicating, educating, and responding to the CKY Choice Program customers served by IGS.

Q. WHAT ARE THE SIX GOALS OF THE CKY CHOICE PROGRAM?

A. As set forth in the Commission's January 27, 2000, Order, in Case No. 1999-00165 at pg. 3, the goals of the CKY Choice Program 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 possible to provide customers savings by allowing marketers to serve customers using their own interstate pipeline capacity.

3. The program should be revenue neutral for Columbia and 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 the Customer Choice Program.

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. DOES IGS BELIEVE THAT THE CKY CHOICE PROGRAM HAS ACHIEVED ALL SIX GOALS?

A. Yes, IGS believes that the CKY Choice Program has achieved all six goals.

Q. WHY DOES IGS BELIEVE THAT THE CKY CHOICE PROGRAM HAS ACHEIVED ITS GOAL OF PROVIDING CONSUMERS WITH THE "OPPORTUNITY" TO SAVE MONEY?

A. IGS believes that the CKY Choice Program has not only achieved its goal of providing customers with the "opportunity" to save money, but the program has actually saved customers money. Contrary to Columbia's suggestion, there have been significant savings to consumers. These savings have been achieved even though the Commission designed the Choice Program so that marketers compete against Columbia's actual gas costs, as reduced by capacity release revenues, rather than maintaining sales customers' demand costs at a historic level to make marketers' gas cost more attractive. Through May 2003, IGS estimates that it has provided its customers with savings of approximately

$3.1 million, while satisfying IGS's supply obligations to Columbia and contractual commitments to IGS's enrolled customers.

Q. GENERALLY, IS THE VALUE OF THE CHOICE PROGRAM AND THE "OPPORTUNITY" TO SAVE LIMITED SOLELY TO ACTUAL SAVINGS?

A. No, it is IGS's experience that savings are not the only factors important to Choice Program consumers. Choice consumers can ensure savings compared to the GCR by selecting a percentage savings off the GCR rate product. However, many do not, and instead select a fixed price rate product, because just as important as savings to many consumers is the ability of Choice Program suppliers' to provide them with the certainty of fixed prices to shield them from the volatility of Columbia's variable price. Much like the homeowner who enters into a fixed-rate mortgage for a longer term, even if the interest rate is higher than the short-term variable rate, and locks in that rate to have price certainty over a longer term, the choice program consumer that chooses a fixed priced rate shields itself from the variable short-term GCR rate of CKY. Moreover, by fixing their rate relative to Columbia's variable commodity costs, consumers capture their "opportunity" to save as compared to the volatility of Columbia's rising and falling variable commodity costs. For example, while CKY's summer commodity price may be lower than a supplier's fixed price, the supplier's fixed price is likely to be lower than CKY's winter commodity price, when consumer consumption is at its peak. Therefore, IGS believes that guaranteed savings to consumers is not the only important aspect of the Choice Program.

Q. HAS THE CHOICE PROGRAM MET ITS GOAL OF PROVIDING MARKETERS WITH AS MUCH FLEXIBILITY AS POSSIBLE TO CAPTURE SAVINGS FOR CONSUMERS BY ALLOWING MARKETERS TO USE THEIR OWN INTERSTATE PIPELINE CAPACITY?

A. Yes, in the context of operating under "Phase I" and the subsequent stipulation and settlement, the Choice Program has met its goal of providing marketers with as much flexibility as possible to capture savings for consumers by allowing marketers to use their own interstate pipeline capacity. In its application in Case No. 2002-00117, on pg. 3, Columbia "propose[d] that capacity assignment would become mandatory for *all* Choice customer demand," which would have violated the capacity flexibility goal of the Choice Program. (Emphasis added.) However, in Case No. 2002-00017, the Commission subsequently approved IGS's and Columbia's stipulation that established a methodology that assures capacity flexibility for marketers under "Phase I", in satisfaction of another program goal, as indicated in Columbia's third Choice Program annual report.

Q. HAS THE CHOICE PROGRAM MET ITS GOAL OF THE CHOICE PROGRAM BEING REVENUE NEUTRAL TO CKY?

A. Yes, the Choice Program has met its goal of assuring revenue neutrality to CKY. To keep Columbia revenue-neutral with regards to the Choice Program, the Commission's March 6, 2000, Order in Case No. 1999-00165 clarified that Columbia may recover all prudent program costs that could not be mitigated. Further, in the Commission's May 19, 2000, Order in Case No. 1999-00165, as an incentive for Columbia to administer the Choice Program, the Commission approved, generally, Columbia's proposal to receive twenty-five percent (25%) of the off-system sales revenues associated with the stranded cost mitigation mechanism in exchange for absorbing any excess costs remaining in the stranded cost pool. Inasmuch as the Commission has permitted Columbia to recover all prudently incurred program costs and, in the context of the Columbia proposed incentive-sharing proposal, the Choice Program has been revenue-neutral to Columbia, which meets another program goal.

Q. IN RETANING THE CHOICE PROGRAM, SHOULD CKY'S REVENUE NEUTRALITY NEEDS BE SATISFIED?

A. Yes, in retaining the Choice Program, CKY's revenue neutrality needs should be satisfied. However, in CKY's case, any deficiency in revenue neutrality to CKY or over-funding of stranded costs is due to the Columbia proposed off-system-sales revenue sharing scheme. The Commission should note that other solutions to assuring revenue neutrality exist, including as an example only, the one proposed by The National Energy Marketers Association ("NEM") in its Request to Intervene, quoted below:

> With respect to stranded costs, NEM submits that revenues lost due to migration should be calculated and netted against benefits after actual migration has occurred. NEM submits that once the Commission determines that a reasonable migration level has occurred, then a calculation of the difference between the revenues that the utility would have received using fully embedded cost-based rates and the revenues actually received by the utility due to lost sales of specific services from the menu of competitive products, services, information and technology that each customer actually elects to purchase from a competitive supplier should be compared to determine the maximum amount of potentially "qualifying revenue losses" that must be netted against benefits and thereafter may be arguably recoverable, subject to the following qualifications:
>
> 1. The utility must show that the costs are material.

2. The utility must demonstrate that they have productively managed and reasonably mitigated costs in the subject areas.
3. The utility must not be earning in excess of their earnings/sharing cap, and
4. The utility must identify specifically which costs or revenue losses are a result of (a) the utility being required to provide Provider of Last Resort services and/or (b) the utility's need to provide fully bundled services to customers that do not migrate, and
5. The utility must quantify the net benefits associated with the costs saved by not serving migrating load.

> After the qualifying revenue losses have been calculated in this fashion, Columbia should file with the Commission a proposal to recover these costs, if any, in the form of a competitively neutral charge spread properly over all users of its distribution system.

Leave for Full Intervention of the National Energy Marketers Association at pgs. 4-5.

In considering the continuation of the Choice Program, the Commission may desire to consider other mechanisms for mitigating and recovering stranded costs, as alternatives to the existing CKY proposed revenue sharing mechanism.

Q. DOES IGS AGREE WITH CKY'S ASSERTION THAT IT WOULD INCUR SUBSTANTIAL STRANDED COSTS IF THE PROGRAM WERE PERMITTED TO CONTINUE BEYOND MARCH 31, 2004, AND THEREBY VIOLATE THE REVENUE NEUTRALITY PRINCIPLE EMBODIED IN THE ORDER ESTABLISHING THE PROGRAM?

A. No. IGS does not agree with CKY's assertion that CKY would incur substantial stranded costs if the program were permitted to continue beyond March 31, 2004, and thereby violate the revenue neutrality principle embodied in the order establishing the program.

Q. WHY NOT?

A. Columbia asserts that it would incur substantial stranded costs if the program were permitted to continue beyond March 31, 2004, and thereby violate the revenue neutrality principle embodied in the order establishing the program. However, Columbia notes that stranded costs are currently over-funded by $1.67 million. Columbia also projects that for the period of May 2003 through March 2004 it will accrue further stranded cost over-funding in the amount of $542,403. As a result, Columbia projects total stranded cost over-funding of $2,215,219 by March 2004. Thus, while asserting the potential absence of revenue neutrality, Columbia has failed to provide any evidence that it will in fact incur these potential "substantial" stranded costs, instead of the continued net benefit to Columbia due to the sharing of revenues from the over-funded stranded cost recovery.

Q. HAS THE CHOICE PROGRAM ACCOMPLISHED ITS GOAL THAT 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?

A. Yes, IGS believes that the Choice Program has accomplished its goal that recovery of stranded costs 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. Indeed, Columbia's second Choice Program annual report, on pg. 4, acknowledges the accomplishment of the program's goal that 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. Further, Columbia's third Choice Program annual report does not take issue with the prior report.

Q. HAS THE CHOICE PROGRAM ACCOMPLISHED ITS GOAL THAT 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 THE CHOICE PROGRAM?

A. Yes, IGS believes that the Choice Program has accomplished its goal that 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 the Choice Program. Again, Columbia's second Choice Program annual report, on pg. 4, acknowledges the accomplishment of the program goal, namely that 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 the Choice

Program. Further, Columbia's third Choice Program annual report does not take issue with the prior report.

Q. HAS THE CUSTOMER EDUCATION GOAL OF THE CHOICE PROGRAM BEEN MET?

A. In the January 27, 2000, Order in Case No. 1999-00165, approving the Choice Program, the Commission indicated, "Columbia's goal regarding customer education is of paramount concern to the Commission . . . [and] its importance to the ultimate success of the Customer Choice program cannot be understated." IGS agrees with the Commission that customer education is a critical goal. The Choice Program has achieved its customer education goal.

Consumers are well aware of the Choice Program, and there is a strong customer demand for its various benefits. For example, as of May 2002, Columbia's second Choice Program annual report indicates that 50,834 customers, representing 36% of eligible customers, had enrolled. As of May 2003, Columbia's third Choice Program annual report indicates that 46,095 customers or 33% of eligible customers had enrolled. Evidencing the satisfaction of this key program goal, Columbia's second Choice Program annual report, on pg. 12, acknowledges that "[r]esearch conducted in late 2000 indicated strong awareness of the Customer Choice among Columbia Gas of Kentucky customers. As a result, the focus of the company's customer education efforts during 2001 shifted to keeping customers informed of specific elements of the Choice Program at their request." Columbia's third Choice Program annual report does not disagree.

Q. DOES IGS BELIEVE THAT THE PILOT CKY CHOICE PROGRAM IS A SUCCESS?

A. Yes, IGS believes that the pilot CKY Choice Program is a success.

Q. WHY DOES IGS BELIEVE THAT THE PILOT CKY CHOICE PROGRAM IS A SUCCESS?

A. The Commission promoted and encouraged LDCs to unbundle retail rates and service for natural gas services in 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.* In that matter, the Commission indicated that any utility proposing a customer choice or rate unbundling program must, among other matters, demonstrate that there had been sufficient input and support from its stakeholders. Supported by stakeholder input, Columbia proposed its current Choice Program in this docket. The Commission approved the Choice Program, as a pilot program, and retained regulatory oversight over the program by its Order of January 27, 2000.

In approving the Choice Program, the Commission indicated that the program's design appeared to indicate that it would achieve the six stated goals for the program. As implemented, the Choice Program, in fact, has achieved these six stated goals as discussed above. Further, since its implementation as a pilot program, the Choice Program has been physically reliable and desirable to consumers, indicated by the robust customer participation rates, various product offerings, and demonstrable customer savings. Therefore, the pilot Choice Program has been a success, and should be permanently continued.

Q. WHAT DOES THE 33% OF ELIGIBLE CONSUMERS' ENROLLMENT RATE SUGGEST TO IGS, BASED ON IGS'S PARTICIPATION IN OTHER CHOICE PROGRAMS IN OTHER STATES AND OTHER LDCs?

A. The 33% participation level indicates the success of the Choice Program and success of the educational efforts concerning the same. However, apparently in a preemptive effort to discredit the success and desirability of the program, in its third Choice Program annual report to the Commission, on pg. 2, despite the 33% participation level, Columbia asserts that customer "interest in the Program has subsided," merely because participation has dipped by 4,739 customers from last year's 36% participation level. While it may be factually true that the number of customers declined from May 2002 to 2003, it is also true that IGS discontinued accepting new enrollments pending resolution of Columbia's restrictive mandatory capacity filing. Upon settlement of the mandatory capacity issue, IGS began accepting new enrollments in late April, which caused participation to increase by approximately 1,843 customers from April 1 through July 10, 2003. This is an increase of 5.75% in the number of customers served by IGS, which contrary to Columbia's assertion, and notwithstanding the approaching end of the pilot Choice Program, indicates strong customer demand for the Choice Program.

The 33% participation level also indicates that Choice Program consumers desire the choices and value-added offerings associated with the program. Indeed, the 33%

customer participation level is generally robust, but is especially noteworthy, given the uncertainty as to the future of the pilot Choice Program, which uncertainty has the effect of limiting suppliers' offers to consumers and the willingness of new suppliers and customers to participate in the program. Inasmuch as the Choice Program is a pilot, not a permanent, program, most marketers have been reluctant to commit resources to enter and participate in the Columbia market. Further, Columbia's actions, such as its efforts to reduce capacity flexibility, its request to not allow new suppliers and, of course, its request to terminate early, have discouraged supplier entry and participation in the Choice Program. Accordingly, the 33% customer participation level in the Choice Program is actually outstanding. The sheer volume of customer switching clearly indicates that consumers value their participation in the Choice Program, and this makes the pilot program a success.

Q. TO WHAT FACTORS DOES IGS ATTRIBUTE THE ROBUST COSUMER PARTICIPATION RATES AND ATTRACTIVENESS OF THE CHOICE PROGRAM TO CONSUMERS?

A. The Choice Program affords consumers a choice of commodity suppliers, including the default choice of Columbia's traditional sales service. The Choice Program also affords consumers a choice of price options, such as the fixed price option that enables price certainty over a term, or the percentage savings option that enables consumers to save a stated percentage as compared to Columbia's price. The Choice Program's competition provides a further incentive for Columbia to provide good customer service and to keep down its commodity costs.

Q. HOW HAS IGS CONTRIBUTED TO THE SUCCESS OF THE CKY CHOICE PROGRAM?

A. IGS has contributed to the success of the Choice Program by committing efforts, resources, and investments to the program. It is clear that as the largest supplier on Columbia's Choice Program, IGS has contributed significantly to, and has a substantial stake in, the success of the program. IGS's participation and value-added offerings have contributed to customer education and to the high consumer participation rates. Indeed, all choice eligible customers have received from IGS at least three separate educational mailers since the beginning of the program. As a further indication of IGS's commitment and contribution to the Choice Program, IGS has made substantial investments in both software and in developing a customer service department to serve and assist IGS's enrolled consumers. Indeed, Columbia's representatives visited IGS's facilities, and commended IGS's competency in communicating, educating, and responding to the Choice Program consumers served by IGS.

Q. WHAT DOES IGS BELIEVE WOULD BE THE EFFECT ON KENTUCKY CONSUMERS, IF CKY IS PERMITTED TO TERMINATE THE CHOICE PROGRAM?

A. Despite all of the successes of the Choice Program and the demonstrative desire of consumers for its benefits, permitting Columbia to terminate the Choice Program will stifle competition in Kentucky in the provision of commodity service and will deny Kentucky consumers the various price options as well as the savings and benefits that choice consumers enjoy in other states and on other LDCs, including Columbia's other

Nisource LDCs. Columbia would thereby deny its Kentucky customers the benefits and savings of the Choice Program, while its affiliated Nisource subsidiary, Columbia Ohio (or "COH") would continue to promote its choice program as a mechanism for its Ohio consumers to save money on their energy bills.

For example, in an October 10, 2002 press release, the Customer Contact Center Manager for Columbia Ohio said:

> Columbia [Ohio] also offers a number of suggestions and options so customers can better manage their energy bills: [including] · **Customer CHOICE (SM)** – This voluntary program gives customers the opportunity to purchase their natural gas from suppliers other than Columbia Gas. About 500,000 Columbia customers have chosen to participate in Customer CHOICE (SM) and have saved approximately $127 million.

See, http://www.columbiagasohio.com/news/releases/index.asp?int_ArticleID=18

Further, in June 2003, COH made available an update of the status of the COH CHOICE Program. Based on this update, COH reported that customers have saved over $149 million by participating in choice through April 2003. COH also reported that 531,254 residential customers, approximately 43% of those eligible participated, and 49,261 commercial customers, approximately 46% of those eligible participated.

Q. WHY DOES IGS BELIEVE THAT CKY DESIRES TO TERMINATE THE CHOICE PROGRAM?

A. Columbia may desire to terminate the Choice Program because of its own risky business decision to propose an incentive-based stranded cost mitigation scheme, which although at present is profitable, is apparently volatile in terms of the revenues for CKY. This scheme allows Columbia to engage in off-system-sales transactions and keep 25% of the revenues from the off-system-sales, in exchange for taking the risk to absorb stranded costs that Columbia is unable to mitigate.

For example, Columbia's response to Question No. 2(b) of the Commission Staff's May 28, 2002, data request in Case No. 2002-00117, *In the Matter of: THE FILING OF COLUMBIA GAS OF KENTUCKY, INC. TO REQUIRE THAT MARKETERS IN THE SMALL VOLUME GAS TRANSPORTATION PROGRAM BE REQUIRED TO ACCEPT A MANDATORY ASSIGNMENT OF CAPACITY*, suggests that from the inception of the Choice Program through March 2002, Columbia had absorbed $1,804,861.00 in stranded costs, due to the Columbia proposed incentive-sharing stranded cost mitigation proposal. Apparently, off-system and other revenue opportunities lagged stranded costs as follows: (1) Year 2000 – stranded costs = $594,150.00 – revenue opportunities = $220,568.00; (2) Year 2001 – stranded costs = $6,184,137.00 – revenue opportunities = $5,141,321.00; (3) Year 2002 (March) – stranded costs = $2,591,678.00 – revenue opportunities = $2,203,215.00. Columbia's second Choice Program annual report on pg. 13 also suggests that Columbia had absorbed $1,804,861.00 in stranded costs because off-system and other revenue opportunities lagged stranded costs as follows: (1) stranded costs = $9,369,965.00, and (2) revenues to offset stranded costs = $7,565,104.00. Columbia, however, incurred those costs, at that time, because it made a business decision to assume this risk in exchange for the opportunity for revenues from off-system-sales transactions.

The volatility in the gas marketplace, clearly, does not assure positive revenues from off-system sales for Columbia. For example, in its first Choice Program annual report, Columbia reported that off-system-sales revenues, to offset stranded costs of $2,001,151.00, exceeded stranded costs of $1,511,077. However, in the second year of the program, Columbia incurred stranded costs, which may help explain why Columbia's second Choice Program annual report indicates discontentment with the Choice Program, in contrast to its first annual report in which Columbia reported being extremely pleased with the Choice Program. Now, in the third year, Columbia's Choice Program annual report indicates that revenue to off-set stranded costs, of $19,616,583, exceed incurred stranded costs, of $17,943,767. This volatility in off-system sales revenues relative to stranded costs may indicate Columbia's desire to terminate the Choice Program due to a business decision that did not turn out as well as expected.

Q. ARE THERE ANY OTHER INDICATIONS THAT CKY'S DESIRE TO TERMINATE THE CHOICE PROGRAM ARE REVENUE DRIVEN?

A. Yes, in its motion to terminate the program, CKY's requests that the Commission allow CKY to return to the pre-Choice Program Gas Incentive Program also suggests that CKY's desire to terminate the Choice Program is revenue driven. The pre-Choice Program mechanism allowed CKY to retain 35% of the off-system sales revenues, while crediting only 65% of the revenues to sales customers through CKY's Gas Cost Adjustment mechanism. The pre-Choice Program incentive mechanism also included sharing of revenues for CKY from capacity releases, but upon satisfaction of a certain benchmark. Also, the pre-Choice Program mechanism, apparently, was without any

Columbia did not indicate that any supplier had defaulted during that period, despite acknowledging, on pg. 2, challenging conditions due to "[t]ight supplies causing higher wholesale natural gas prices combined with record-breaking cold temperatures in December." Indeed, as an example of the supplier diversity of a competitive market and an early test to the design of the Choice Program, on pgs. 1 and 2 of its first annual report, Columbia indicates that it successfully managed the default of two marketers, most of whose customers subsequently enrolled with other marketers. Further, the re-enrollment with other marketers by the defaulted consumers strongly suggests the desire of consumers for the Choice Program. Therefore, IGS disagrees with Columbia's assertion that the Choice Program adversely affects reliability.

Q. IS CKY'S DESIRE TO TERMINATE THE CHOICE PROGRAM CONTRARY TO THE COMMISSION'S POLICY?

A. Yes, Columbia's desire to terminate its functional and popular Choice Program is contrary to the Commission's policy. In its July 1, 1998, Order in Administrative Case No. 367, the Commission stated that while the extent of customer benefit is not yet clear, the Commission supports the concept of customer choice programs targeted at residential and small commercial customers. The Commission also stated that as long as customers continue to receive safe and reliable gas service, the reasonableness of gas commodity cost as provided in a competitive environment can be determined by the market. The Commission added that it believes that customers may fare better with the addition of alternative suppliers of the commodity, and will have the added benefit of the innovation in products and services that competition inevitably brings.

By designing the Choice Program to maintain the integrity of the merchant and distribution functions, ensuring safe and reliable gas service and reasonable gas commodity costs, and providing residential and small commercial consumers with a competitive environment with choices of suppliers and price product options, the Choice Program has successfully implemented this policy. Choice consumers in Kentucky, as in neighboring states, have fared better with the addition of alternative suppliers of commodity and competitive products and services, as indicated, for example, by the savings and products, such as the stable fixed price and guaranteed savings rate options. Under these circumstances, the Choice Program should be continued and made permanent, and accordingly, Columbia's desire to terminate the Choice Program is contrary to the Commission's policy and bad for Kentucky consumers.

Q. SHOULD THE COMMISSION RETAIN AN OUTSIDE CONSULTANT TO REVIEW ALL ASPECTS OF COLUMBIA'S CHOICE PROGRAM, AS INDICATED, ON PG. 7, IN THE COMMISSION'S JANUARY 27, 2000 ORDER IN CASE NO. 1999-00165 THAT APPROVED THE CHOICE PROGRAM?

A. Yes, the Commission should retain an outside consultant to review all aspects of the Choice Program. For example, an independent, outside consultant would be helpful in clarifying the discrepancy and apparent inaccuracy of Columbia's calculation methodology as compared to IGS's Choice Program experience and savings calculations. The consultant would also be helpful in reviewing all costs and operations of the program, including gas costs and stranded costs. Accordingly, IGS respectfully recommends that the Commission extend the Choice Program by, at least, an additional two (2) winters, past the current termination date of the program, so that the Commission can further observe the performance of the program, obtain additional data and information upon which to base its decision, and afford the consultant sufficient time to fully examine all aspects of the Choice Program.

Q. DOES IGS BELIEVE THAT THE CKY CHOICE PROGRAM SHOULD BE CONTINUED AND MADE PERMANENT, AND IF SO, WHY?

A. Yes, the CKY Choice Program should be continued and made permanent. The achievement of the program's stated goals and robust consumer participation rates are evidence of the program's success and its value to the public. The benefits that flow to consumers due to the Choice Program are numerous. The program allows consumers to choose the utility's standard-offer or, on a voluntary basis, select a supplier, and because the program affords customers the "opportunity" for savings and other value-added benefits, the Choice Program is fair and its continuation is in the public interest. The Choice Program allows consumers to control their energy bills and offers consumers numerous benefits in addition to the opportunity for savings. Competitive market forces, inherent in the Choice Program, also serve to improve price, product, and service options. Simply eliminating a successful program, after suppliers have invested capital and efforts in it, in reliance or the presumption that a successful program would be continued, and after consumers have relied on its value-added choices, denies consumers and suppliers the Commission's protection and increases the risk of doing business in the State. The continuation of the Choice Program is in the interests of Kentucky consumers, and therefore, the Choice Program should be continued and made permanent. Indeed, IGS respectfully submits that because the program has achieved considerable success since its inception, it would be contrary to the Commission's policy to terminate it.

Q. DOES THIS CONCLUDE YOUR COMMENTS AND TESTIMONY?

A. Yes, it does.

This space intentionally left blank.

Respectfully submitted,

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I hereby certify that the foregoing statements are true and correct.

President

Scott White, President
Interstate Gas Supply, Inc.

State of Ohio)
County of FRANKLIN) ss:
City of COLUMBUS)

Subscribed and sworn to before me this 23rd day of JULY, 2003.

Notary Public

My Commission Expires: ____________

NOTARIAL SEAL
STATE OF OHIO

DAVID JOHN BUTLER, ATTORNEY AT LAW
NOTARY PUBLIC, STATE OF OHIO
My commission has no expiration date.
Section 147.03 R.C.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Comments and Testimony of Scott White, President, Interstate Gas Supply, Inc. was mailed, postage prepaid, to the below listed parties of record on July 24, 2003.

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A

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION OF INTERSTATE GAS SUPPLY, INC.	)	
TO CONTINUE AND MAKE PERMANENT THE	)	CASE NO.
COMPETITIVE CUSTOMER CHOICE PROGRAM	)	____________
OF COLUMBIA GAS OF KENTUCKY, INC.	)	

PETITION OF INTERSTATE GAS SUPPLY, INC. TO CONTINUE AND MAKE PERMANENT THE CHOICE PROGRAM OF COLUMBIA GAS OF KENTUCKY, INC.

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EXHIBIT
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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION OF INTERSTATE GAS SUPPLY, INC.	)	
TO CONTINUE AND MAKE PERMANENT THE	)	CASE NO.
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OF COLUMBIA GAS OF KENTUCKY, INC.	)	

PETITION OF INTERSTATE GAS SUPPLY, INC. TO CONTINUE AND MAKE PERMANENT THE CHOICE PROGRAM OF COLUMBIA GAS OF KENTUCKY, INC.

Pursuant to KRS Chapter 278 and 807 KAR 5:001, §§ 8 and 12, Petitioner Interstate Gas Supply, Inc. ("IGS") respectfully requests the Commission to issue an order to continue and make permanent the Small Volume Gas Transportation Service program ("Choice Program") of Respondent Columbia Gas of Kentucky, Inc. ("Columbia") so that eligible residential and small commercial consumers may continue to enjoy the benefits of having competitive choices for commodity suppliers, price options that enable market-based prices or price stability, supply diversity, and improved service choices associated with the competitive unbundling of natural gas service.

In support of this Petition, IGS avers as follows:

<u>THE PARTIES AND JURISDICTION</u>

1. IGS has been in the business of supplying natural gas as an alternative to utility companies since 1989, and currently serves more than 500,000 residential, commercial, institutional, and industrial end-users in Kentucky, Michigan, Ohio, and Pennsylvania. IGS is the largest supplier of natural gas to consumers participating in the Choice Program.

2. Columbia is a wholly owned subsidiary of the holding company Nisource, Inc. ("Nisource") that is headquartered in Merrillville, Indiana. Columbia serves approximately 141,000 consumers in Kentucky in, among other localities, the cities of Lexington, Frankfort, Ashland, East Point, Maysville, Winchester, and Paris. Columbia is engaged in business as a natural gas local distribution company ("LDC"), and therefore, is a natural gas utility pursuant to KRS 278.010.

3. The Commission has jurisdiction over the parties, this Petition, the Choice Program, and Columbia's Commission-approved tariffs pursuant to, *inter alia*, KRS 278.040, 278.270, and 278.080, and 807 KAR 5:001, §§ 8 and 12.

THE MATTER IN DISPUTE

4. The Commission promoted and encouraged LDCs to unbundle retail rates and service for natural gas services in 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.* In that matter, the Commission indicated that any utility proposing a customer choice or rate unbundling program must, among other matters, demonstrate that there had been sufficient input and support from its stakeholders.

5. Supported by stakeholder input, Columbia proposed its current Choice Program in Case No. 1999-00165, *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.* In that matter, the Commission approved the Choice Program, as a pilot program, and retained regulatory oversight over the program by its Order of January 27, 2000. Since its implementation as a pilot program, the Choice Program has been

physically reliable and desirable to consumers, indicated by the robust customer participation rates and demonstrable customer savings.

6. To keep Columbia revenue neutral with regards to the Choice Program, the Commission's March 6, 2000, Order in Case No. 1999-00165 clarified that Columbia may recover all prudent program costs that could not be mitigated. Further, in the Commission's May 19, 2000, Order in Case No. 1999-00165, as an incentive for Columbia to administer the Choice Program, the Commission approved, generally, Columbia's proposal to receive twenty-five percent (25%) of the off-system sales revenues associated with the stranded cost mitigation mechanism in exchange for absorbing any excess costs remaining in the stranded cost pool.

7. In approving the Choice Program, the Commission indicated that the program's design appeared to indicate that it would achieve Columbia's six stated goals for the program. As implemented, the Choice Program, in fact, has achieved these six stated goals.

8. In the January 27, 2000, Order in Case No. 1999-00165, approving the Choice Program, the Commission indicated, "Columbia's goal regarding customer education is of paramount concern to the Commission . . . [and] its importance to the ultimate success of the Customer Choice program cannot be understated."

9. Consumers are well aware of the Choice Program, and there is a strong customer demand for its various benefits. For example, as of May 2002, Columbia's second Choice Program annual report indicates that 50,834 customers, representing 36% of eligible customers, had enrolled. As of May 2003, Columbia's third Choice Program annual report indicates that 46,095 customers or 33% of eligible customers had enrolled.

10. However, apparently in a preemptive effort to discredit the success and desirability of the program, in its third Choice Program annual report to the Commission, on pg. 2, despite the

33% participation level, Columbia asserts that customer "interest in the Program has subsided," merely because participation has dipped by 4,739 customers from last year's 36% participation level. While it may be factually true that the number of customers declined from May 2002 to 2003, it is also true that IGS discontinued accepting new enrollments pending resolution of Columbia's restrictive mandatory capacity filing. Upon settlement of the mandatory capacity issue, IGS began accepting new enrollments, which has caused participation to increase by approximately 2,200 customers just from April through July 2003. This is an increase of 5.75% in the number of customers served by IGS, which contrary to Columbia's assertion and notwithstanding the approaching end of the pilot Choice Program, indicates strong customer demand for the Choice Program.

11. Indeed, the 33% customer participation level is generally robust, but is especially noteworthy, given the uncertainty as to the future of the pilot Choice Program, which uncertainty has the effect of limiting suppliers' offers to consumers and the willingness of new suppliers and customers to participate in the program. Inasmuch as the Choice Program is a pilot, not a permanent, program, most marketers have been reluctant to commit resources to enter and participate in the Columbia market. Further, Columbia's actions, such as its efforts to reduce capacity flexibility and not responding to inquiries from interested suppliers, have generally discouraged supplier entry and participation in the Choice Program. Accordingly, the 33% customer participation level in the Choice Program is actually outstanding.

12. The Choice Program affords consumers a choice of commodity suppliers, including the default choice of Columbia's traditional sales service. The Choice Program also affords consumers a choice of price options, such as the fixed price option that enables price certainty over a term or the percentage savings option that enables consumers to save a stated percentage

as compared to Columbia's price. The Choice Program's competition provides a further incentive for Columbia to provide good customer service and to keep down its commodity costs.

13. In satisfaction of a key program goal, Columbia's second Choice Program annual report, on pg. 12, acknowledges that "[r]esearch conducted in late 2000 indicated strong awareness of the Customer Choice among Columbia Gas of Kentucky customers. As a result, the focus of the company's customer education efforts during 2001 shifted to keeping customers informed of specific elements of the Choice Program at their request." Columbia's third Choice Program annual report does not disagree.

14. Columbia's second Choice Program annual report, on pg. 4, also acknowledges the accomplishment of another program goal, namely that 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 the Choice Program. Additionally, Columbia's second Choice Program annual report, on pg. 4, acknowledges the accomplishment of the program's goal that 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. Again, Columbia's third Choice Program annual report does not disagree with the above.

15. As the largest supplier on Columbia's Choice Program, IGS has contributed significantly to and has a substantial stake in the success of the program. As an indication of IGS's commitment to the Choice Program, IGS has made substantial investments in both software and in developing a customer service department to serve and assist IGS's enrolled consumers. Indeed, Columbia's representatives visited IGS's facilities, and commended IGS's

competency in communicating, educating, and responding to the Choice Program consumers served by IGS.

16. The Commission's March 6, 2000 Order in Case No. 1999-00165 provides for the end of the pilot program on October 31, 2004, when, presumably, a decision would be made to institute the Choice Program as a permanent component of Kentucky's regulatory scheme for natural gas service. Despite all of the successes of the Choice Program and the demonstrative desire of consumers for its benefits, IGS, upon information and belief, understands that Columbia desires to permanently terminate the Choice Program and to permanently end competition to Columbia's commodity sales program. Columbia would thereby deny its Kentucky customers the benefits and savings of the Choice Program, while its affiliated Nisource subsidiary, Columbia Gas of Ohio, Inc. ("Columbia Ohio") would continue to promote its choice program as a mechanism for its Ohio consumers to save money on their energy bills.

17. For example, in an October 10, 2002 press release, the Customer Contact Center Manager for Columbia Ohio said:

> Columbia [Ohio] also offers a number of suggestions and options so customers can better manager their energy bills: [including] · **Customer CHOICE (SM)** – This voluntary program gives customers the opportunity to purchase their natural gas from suppliers other than Columbia Gas. About 500,000 Columbia customers have chosen to participate in Customer CHOICE (SM) and have saved approximately $127 million.

See, http://www.columbiagasohio.com/news/releases/index.asp?int_ArticleID=18

18. If Columbia is permitted to terminate the Choice Program, Columbia will stifle competition in Kentucky in the provision of commodity service, denying Kentucky consumers the savings and benefits that choice consumers enjoy in other States and on other LDCs, including Columbia's other Nisource LDCs.

19. Columbia may desire to terminate the Choice Program because of its own risky business decision to propose an incentive-based stranded cost mitigation scheme, which has not, as yet, proven to be profitable. This scheme allows Columbia to engage in off-system-sales transactions and keep 25% of the revenues from the off-system-sales, in exchange for taking the risk to absorb stranded costs that Columbia is unable to mitigate. Columbia's response to Question No. 2(b) of the Commission Staff's May 28, 2002, data request in Case No. 2002-00117, *In the Matter of: THE FILING OF COLUMBIA GAS OF KENTUCKY, INC. TO REQUIRE THAT MARKETERS IN THE SMALL VOLUME GAS TRANSPORTATION PROGRAM BE REQUIRED TO ACCEPT A MANDATORY ASSIGNMENT OF CAPACITY*, suggests that from the inception of the Choice Program through March 2002, Columbia has absorbed $1,804,861.00 in stranded costs, due to the Columbia proposed incentive-sharing stranded cost mitigation proposal. Apparently, off-system and other revenue opportunities have lagged stranded costs as follows: (1) Year 2000 – stranded costs = $594,150.00 – revenue opportunities = $220,568.00; (2) Year 2001 – stranded costs = $6,184,137.00 – revenue opportunities = $5,141,321.00; (3) Year 2002 (March) – stranded costs = $2,591,678.00 – revenue opportunities = $2,203,215.00.

20. Columbia's second Choice Program annual report on pg. 13 also suggests that Columbia absorbed $1,804,861.00 in stranded costs because off-system and other revenue opportunities have lagged stranded costs as follows: (1) stranded costs = $9,369,965.00, and (2) revenues to offset stranded costs = $7,565,104.00. Columbia, however, incurred these costs, because it made a business decision to assume this risk in exchange for the opportunity for revenues from off-system-sales transactions.

21. The volatility in the gas marketplace does not assure positive revenues from off-system sales for Columbia. For example, in its first Choice Program annual report, Columbia reported that off-system-sales revenues to offset stranded costs, of $2,001,151.00, exceeded stranded costs, of $1,511,077. However, in the second year of the program, Columbia incurred stranded costs, which may help explain why Columbia's second Choice Program annual report indicates discontentment with the Choice Program, in contrast to its first annual report in which Columbia reported being extremely pleased with the Choice Program. Now, in the third year, Columbia's Choice Program annual report indicates that revenue to off-set stranded costs, of $19,616,583, exceed incurred stranded costs, of $17,943,767. This volatility in off-system sales revenues relative to stranded costs may indicate Columbia's desire to terminate the Choice Program due to its risky business decision.

22. The Commission has permitted Columbia to recover all prudently incurred program costs and, in the context of the Columbia proposed incentive-sharing proposal, the Choice Program has been revenue neutral to Columbia, which meets another program goal.

23. Another of the Choice Program's goals is for the program to provide marketers with as much flexibility as possible to capture savings for consumers by allowing marketers to use their own interstate pipeline capacity. In its application in Case No. 2002-00117, on pg. 3, Columbia "propose[d] that capacity assignment would become mandatory for *all* Choice customer demand," which would have violated the capacity flexibility goal of the Choice Program. (Emphasis added.)

24. In Case No. 2002-00017, the Commission subsequently approved IGS's and Columbia's stipulation that established a methodology that assures capacity flexibility for

marketers, in satisfaction of another program goal, as indicated in Columbia's third Choice Program annual report.

25. Contrary to Columbia's suggestion, the Choice Program promotes reliability by increasing supplier, commodity, and capacity delivery diversity into Columbia's system. For example, in addition to its interstate pipeline deliveries, IGS has relied on Kentucky's local production to provide flexibility for supply reliability and balancing as part of IGS's overall delivery portfolio, as indicated in IGS's Response No. 3b to the Commission's Staff's initial data request in Case No. 2002-00117. IGS's use of Kentucky's local production is also consistent with the Commission's policy to facilitate greater use of natural gas produced in Kentucky, set forth in KRS 278.507.

26. In its second annual report, although Columbia suggested that suppliers place system reliability at risk, Columbia did not indicate that any supplier had defaulted during that period, despite acknowledging, on pg. 2, challenging conditions due to "[t]ight supplies causing higher wholesale natural gas prices combined with record-breaking cold temperatures in December." Indeed, as an example of the supplier diversity of a competitive market and an early test to the design of the Choice Program, on pgs. 1 and 2 of its first annual report, Columbia indicates that it successfully managed the default of two marketers, most of whose customers subsequently enrolled with other marketers. Further, the re-enrollment with other marketers by the defaulted consumers strongly suggests the desire of consumers for the Choice Program.

27. The remaining Choice Program goal is that the program must provide an "opportunity" for customers to save money on their gas bills. Columbia, as part of its preemptive effort to terminate the program, describes this goal as the "prime" goal of the program, on pg. 3 of its second Choice Program annual report. Apparently, taking a snap shot at

the time of its June 3, 2002, second Choice Program annual report, using, it appears, its low summer time commodity price, Columbia suggests the inadequacy of the program and of suppliers to capture saving for consumers.

28. Columbia's sales commodity price is, of course, not fixed and varies seasonally, with high prices in the peak-use winter months and low prices in the minimal-use summer months. On pgs. 2 and 3 of its second Choice Program annual report, without providing any worksheet of its calculations, Columbia indicates that because "[d]uring the last year . . . wholesale prices have stabilized and Columbia's gas costs have dropped *significantly* . . . the fixed, price being paid by many consumers is *now* above Columbia's gas cost. *As a result*, Choice customers have now paid a total of $813,742 more in gas costs than they would have had they remained a sales customer of Columbia." Emphasis added. In its third Choice Program annual report, on pg. 3, apparently using the same calculation methodology and acknowledging volatility in the gas marketplace, Columbia asserts that "Choice customers have now paid a total of $3,409,821 more in gas costs than they would have had they been a sales customer of Columbia."

29. Contrary to Columbia's suggestion, there have been significant savings to consumers. These savings have been achieved even though the Commission designed the Choice Program so that marketers compete against Columbia's actual gas costs as reduced by capacity release revenues, rather than maintaining sales customers' demand cost at a historic level to make marketers' gas cost more attractive. Through June 2002, IGS saved its customers approximately $1,605,069.81, with savings balanced by a high of $2,936,555.20 for certain rate products and negative savings of $803,390.00 for another rate product. As of April 2003, IGS estimates that it has provided its customers with savings in excess of $2.7 million, while satisfying IGS's supply obligations to Columbia and contractual commitments to IGS's enrolled customers.

30. This discrepancy and apparent inaccuracy of Columbia's calculation methodology supports the retention of an outside consultant to review all aspects of Columbia's Choice Program, as indicated, on pg. 7, in the Commission's January 27, 2000 Order in Case No. 1999-00165 that approved the Choice Program.

31. In contradiction to Columbia's statement that its summer commodity price happens to be lower than some fixed prices hedged during a rising commodity market, just as important as savings to many consumers, is the ability of Choice Program suppliers' to provide them with the certainty of fixed prices to shield them from the volatility of Columbia's variable price. Moreover, by fixing their rate relative to Columbia's variable commodity costs, consumers capture their "opportunity" to save as compared to the volatility of Columbia's rising and falling variable commodity costs. Columbia's inaccurate assessment of Choice Program suppliers' fixed rates also fails to take into account the bill non-payments and resulting bad debts that were potentially mitigated by fixed prices relative to Columbia's variable and volatile commodity prices that generally soar in the peak use winter months.

32. Columbia's apparent desire to terminate its functional and popular Choice Program is contrary to the Commission's policy set forth in its July 1, 1998, Order in Administrative Case No. 367, in which the Commission stated:

> While the extent of customer benefit is not yet clear, the Commission supports the concept of customer choice programs targeted at residential and small commercial customers. 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. The Commission believes that it can continue to ensure the integrity of the merchant function as well as the distribution function through the parameters of a customer choice program and existing tariffs, regulations, and statutes. As long as customers continue to receive safe and reliable gas service, the reasonableness of gas commodity cost as provided in a competitive environment can be determined by the market. Customers may fare better with the addition of alternative

suppliers of the commodity, and will have the added benefit of the innovation in products and services that competition inevitably brings.

By designing the Choice Program to maintain the integrity of the merchant and distribution functions, ensuring safe and reliable gas service and reasonable gas commodity costs, and providing residential and small commercial consumers with a competitive environment with choices of suppliers and price product options, the Choice Program has successfully implemented this policy.

33. Choice consumers in Kentucky, as in neighboring states, have fared better with the addition of alternative suppliers of commodity and competitive products and services, as indicated, for example, by the savings and products such as the stable fixed price and guaranteed savings rate options. Under these circumstances, the Choice Program should be continued and made permanent, because as indicated above, the program has achieved its goals and consumers desire the continuity of the program. Making the program permanent will assure certainty and attract entry of new suppliers, which will further increase competition and participation.

WHEREFORE, so that consumers may continue to enjoy the benefits of choice of suppliers and price options that provide opportunities for savings, price certainty, and competitive pricing that are associated with Columbia's Choice Program, IGS respectfully petitions the Commission to continue and make permanent the Columbia Choice Program.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Petition of Interstate Gas Supply, Inc. To Continue And Make Permanent The Choice Program On Columbia Gas Of Kentucky, Inc. was mailed, postage prepaid to the below listed persons on June 12, 2003.

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June 30, 2003

Mr. Thomas M. Dorman
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

Dear Tom:

As you know, Interstate Gas Supply, Inc. ("IGS") filed a Petition on June 12, 2003, requesting continuation of the Columbia Gas of Kentucky, Inc. Customer Choice Program. We are in receipt of your letter dated June 16, 2003, indicating that IGS's Petition did not reference Columbia's Petition to discontinue the Choice Program. Although Columbia's Petition was apparently filed on June 6, 2003, IGS did not receive a mailed copy of Columbia's Petition until after IGS had filed its Petition on June 12, 2003. Inasmuch as we were unaware of Columbia's Petition, we did not make reference to it in IGS's Petition.

We trust this explains IGS's lack of reference to Columbia's Petition.

Very truly yours,

James R. Cox

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EXHIBIT
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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. 1999-00165

INTERSTATE GAS SUPPLY, INC.'S FIRST SET OF DISCOVERY TO COLUMBIA GAS OF KENTUCKY, INC.

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EXHIBIT

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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. 1999-00165

INTERSTATE GAS SUPPLY, INC.'S FIRST SET OF DISCOVERY TO COLUMBIA GAS OF KENTUCKY, INC.

Interstate Gas Supply, Inc. ("IGS"), Petitioner, in the above-captioned case before the Public Service Commission ("Commission"), submits the following First Set of Discovery, pursuant to the Commission's June 26, 2003, Order in the above-captioned docket, for response from Columbia Gas of Kentucky, Inc. (referred to hereinafter, including in the discovery requests, as "Columbia" or "CKY," and is further defined herein), within the shortest period of time provided for a response to these discovery requests. Columbia must follow the definitions and instructions provided herein in responding to these discovery inquiries.

DEFINITIONS

As used herein the following definitions apply:

1. "Affiliate" means, in relation to any Person, any entity controlled, directly or indirectly, by such Person, any entity that controls, directly or indirectly, such Person, or any entity directly or indirectly under common control with such Person. For this purpose, "control" of any entity or Person includes, but is not limited to, ownership of a majority of the voting power of the entity or Person or by contractual means or otherwise.

2. "Any" means each, every, and all Persons, Documents, places or things to which the term refers.

3. "Burner Tip Cost" means the total cost or charge to Consumers for Columbia's traditional service, including without limitation, the GCR, all Columbia's charges for the delivery of the natural gas commodity to Consumers using Columbia's Distribution Facilities, Any and all and each and every, rider, surcharge, adjustment, and alike.

4. "Choice Base Rate" means the difference between the Burner Tip Cost and GCR cost (Burner Tip Cost minus GCR cost), as the case may be for each applicable and appropriate Consumer class or tariff rate or class.

5. "Choice Program" means the Columbia small volume transportation program, which was approved by the Commission as a pilot program by Orders issued January 27, 2000, March 6, 2000, and May 19, 2000, in Case No. 1999-00165, which is scheduled to run through October 31, 2003.

6. "Columbia" or "CKY" means Columbia Gas of Kentucky, Inc. and all its Affiliates.

7. "Columbia Motion" means the Motion of Columbia Gas of Kentucky, Inc. Requesting Authority To Terminate Its Small Volume Transportation Service, filed before the Commission in Case No. 1999-00165, on June 6, 2003.

8. "Columbia Ohio" means Columbia Gas of Ohio, Inc.

9. "Commission" refers to the Public Service Commission of the Commonwealth of Kentucky, including its Commissioners, staff, personnel, and offices, without limitation.

10. "Communication(s)" means, but is not limited to, all forms of interaction or communication whether written, printed, oral, pictorial, electronic or by any other medium.

11. “Consumer” means all customers, end-users, consumers, without limit, that are eligible to participate in the Choice Program.

12. “Correspondence(s)” means, without limiting its general meaning, all letters, telegrams, faxes, emails, notices, messages, memoranda and other written or electronic Communications.

13. “Distribution Facilities” refers to equipment owned, operated, and/or controlled by Columbia that is directly or indirectly related to or associated with Columbia’s provision of natural gas distribution delivery and related services to the end-use customer(s), from all the points of delivery, feed(s), pipeline(s), mainline(s), and/or equipment that serve the customer(s)’ location and up to and including the location of the equipment controlled by the customer.

14. "Document(s)" or "Documentation(s)" when used herein, means all originals of any nature whatsoever, identical copies, and all non-identical copies thereof, pertaining to any medium upon which intelligence or information is recorded in your possession, custody, or control regardless of where located; including without limiting the generality of the following: punchcards, printout sheets, movie film, slides, phonograph records, photographs, microfilm, video media, notes, memoranda, ledgers, work sheets, books, magazines, notebooks, diaries, calendars, appointment books, registers, charts, tables, papers, agreements, contracts, purchase orders, checks and drafts, acknowledgments, invoices, authorizations, budgets, analyses, projections, transcripts, minutes of meetings of any kind, correspondence, telegrams, drafts, discs or tapes, and computer produced interpretations thereof, instructions, announcements, schedules, price lists, electronic copies, and mechanical or electric sound recordings and transcripts thereof. In all cases, “Document(s)” or “Documentation(s)” shall also mean all written, printed, reproduced, recorded, typed, graphic, photographic, or electronic matter in your possession, custody, or control, including without limitation books, manuals, pamphlets, periodicals, correspondence, letters, memoranda, faxes, telegrams, electronic mail (“email”) messages and attachments, reports, records, studies, transcripts, workpapers, working papers, notes, charts, graphs, indices, data sheets, and all drafts thereof, and every copy of a document which contains handwritten or other notations not otherwise duplicated in the

original or any other copy. In all cases, where originals and/or non-identical copies are not available, "Document(s)" or "Documentation(s)" shall also mean identical copies of original documents and copies of non-identical copies.

15. "GCR" means the cost or charge to Consumers to purchase the natural gas commodity from Columbia under the traditional sales service, including, all riders, adjustments, and alike, without limitation, but excluding any costs or charges for Columbia's delivery of the natural gas commodity to Consumers using Columbia's Distribution Facilities.

16. "Identifications" or "Identify" or "Identity," when used herein shall mean to provide the requested information as the context requires it and when used in reference to: (a) a natural individual, require you to state his or her full name, residential and business address, and business title at the time of any transaction or activity inquired into; (b) a corporation, require you to state its full corporate name and any names under which it does business, its state of incorporation, the address of its principal place of business, and the addresses of all of its offices; (c) a business, require you to state the full name or style under which the business is conducted, its business address or addresses, the type of businesses in which it is engaged, the geographic areas in which it conducts those businesses, and the identity of the person or persons who own, operate, and control the business; (d) a Document or Documentation, require you to state the number of pages and the nature of the document (for example and without limitation, letter or memorandum, its title, its date, the name or names of its authors and recipients, and its present location and custodian, and whether or not it is claimed that such document is privileged and, if so, the type of privilege claimed and a statement of all the circumstances which will be relied on to support such claim of privilege; (e) Correspondence(s), to identify the Document(s) and/or Documentation(s) which refer to or evidence the Correspondence; (f) Communication, if written, to identify the Document(s) or Documentation(s) which refer to or evidence the Communication, and to the extent engaged in orally or otherwise, to provide the date, manner, place, and substance of the Communication.

17. "Person(s)" includes any natural person, corporate entity, firm, partnership, association, joint venture, cooperative, municipality, city, county, irrigation district, drainage district or other

special district or political subdivision, or federal, state or local governmental body, department, or agency, entity or group of persons, unless the context clearly indicates that only an individual person is referred to.

18. "Studies" means without limitation reports, reviews, summaries, analyses and audits, and all drafts and prior versions of such documents.

19. "Transmission Facilities" refers to the feed(s), pipeline(s), mainline(s), and/or equipment whether or not owned, operated, and/or controlled by Columbia or by an Affiliate of Columbia or by any other Person, that delivers natural gas to Columbia's Distribution Facilities.

20. "You" or "Your" or "Yourself" refers to the party to which or whom these discovery requests are directed, including all Affiliates, joint partnerships, corporate parents, subsidiaries, departments, divisions, officers, agents, consultants, employees, contractors, predecessors, successors and assigns, whether present or former.

INSTRUCTIONS FOR ANSWERING

1. EACH RESPONSE, DOCUMENT, OR OBJECTION SHOULD COMMENCE ON A SEPARATE PAGE AND SHOULD BE IMMEDIATELY PRECEDED BY THE CORRESPONDING REQUEST OR SUB-REQUEST TO WHICH IT RESPONDS.

2. For each response, please identify the individual who prepared the response or the Person(s) under whose supervision the response was prepared.

3. For each response, please provide an oath or certification that the response is true and accurate to the best of the preparer's knowledge, information and belief after reasonable inquiry.

4. Each response must be supplemented by timely amendments if subsequent information renders any response incorrect in any material respect.

5. Each request shall be deemed continuing in nature and must be updated immediately upon receipt of any new, further or different information that is responsive to the request.

6. With respect to any request consisting of separate parts or subparts, a complete response to each subpart is required as if the subpart were set forth as a separate request.

7. If any request cannot be answered in full after reasonable inquiry, please provide the response to the extent available, state why the request cannot be answered in full, and provide any information within your knowledge concerning the description, existence, availability, and custody of any unanswered portions.

8. In responding to these requests, please provide information from all files in the possession of, owned by, controlled by, or accessible to you, as well as all files maintained or controlled by officers, employees, agents or consultants or other representatives of your organization.

9. If no information or document is responsive to any request, please so state in the response.

10. If any document requested is not in your possession but you know or believe it to exist, please so state and identify to the best of your ability the last known location of the document and its custodian.

11. If any document requested or related to any request has been destroyed or discarded, please state the date the document was destroyed, the person or entity responsible for its destruction, the reason for its destruction, and provide a description of the contents and length of the document.

12. If any information or Documentation is not available in the exact form requested, please provide any available information or documents that best respond to the request.

13. For any information or Documents maintained by computer or data storage mechanism, please state the name of the file from which the information came, how the data is stored

(CD, diskette, tape, etc.), the computer or media program in which it is stored, the name of the Person who collected or entered the information, and how the Document or information can be transmitted and retrieved.

14. The singular form of a word shall be interpreted as plural, and the plural form as singular, to the extent appropriate in order to respond to the scope of these requests and to make the request inclusive rather than exclusive.

15. "And" and "or" shall be construed either disjunctively or conjunctively as appropriate to respond to the scope of these requests.

16. Any objection to a request should provide a list of all information or documents withheld, describe the character and specific subject matter of the information withheld, including a description of the number of documents withheld and a summary of the information contained in such documents, and should clearly state the specific objection asserted and the grounds on which the objection is based.

INTERROGATORIES

IGS – CKY 1-1:

Starting the earlier of either: (1) January 2000 or (2) the inception of the Choice Program, please provide responses to the following:

(a) Identify all the Documents that are the organization charts for Your organization.

(b) Identify the Person(s) that have Any decision-making authority concerning the nature, scope, planning, continuation, termination, and/or otherwise of or over the Choice Program.

IGS – CKY 1-2:

Starting the earlier of either: (1) January 2000 or (2) the inception of the Choice Program, please provide responses to the following:

(a) Identify the methodology and/or formula that You use to calculate Your GCR.

(b) If the methodology or formula has changed over time, identify the period or duration each methodology and/or formula referred to in subpart (a), above, was or is in effect.

IGS – CKY 1-3:

Starting the earlier of either: (1) January 2000 or (2) the inception of the Choice Program, please Identify the actual GCR, using units of Mcf (thousand cubic feet), and the period or duration the GCR value provided was or is in effect.

IGS – CKY 1-4:

Starting the earlier of either: (1) January 2000 or (2) the inception of the Choice Program, please provide responses to the following:

(a) Identify each and every, and Any and all components, factors, and/or line items that comprise the Burner Tip Cost for each Consumer class or tariff rate or class.

(b) For each Consumer class or tariff rate or class, using units of Mcf (thousand cubic feet), Identify the actual value of the Burner Tip Cost, and Identify the period or duration that the provided Burner Tip Cost was in effect.

IGS – CKY 1-5:

Starting the earlier of either: (1) January 2000 or (2) the inception of the Choice Program, please provide responses to the following:

(a) Identify each and every, and Any and all components, factors, and/or line items that comprise Choice Base Rate for each Consumer class or tariff rate or class.

(b) Using units of Mcf (thousand cubic feet), Identify the actual value of the Choice Base Rate for each Consumer class or tariff rate or class, and Identify the period or duration that the provided Choice Base Rate was in effect.

IGS – CKY 1-6:

Referring to pages 1 and 2 of Columbia's Motion where Columbia indicates that Columbia had consultations with each "Collaborative" member that helped develop the pilot program and marketers participating in the Choice Program (the "consultations"), please provide responses to the following:

(a) Identify each (1) "Collaborative" member, (2) marketer, and (3) Person(s) other than a "Collaborative" member or marketer, that Columbia consulted with.

(b) For each Person Identified in subpart (a) above, Identify all Person(s) who are or were representatives of Columbia that had Communications or Correspondences concerning or that participated (whether oral, written, or otherwise) in the consultations.

(c) For each "Collaborative" member, marketer, and Person(s) identified in subpart (a) above, Identify all Person(s) who are or were representatives of the same identified in subpart (a) above that had Communications or Correspondences concerning or that participated (whether oral, written, or otherwise) in the consultations with Columbia.

(d) For each "Collaborative" member, marketer, and Person(s) identified in subpart (a) above, Identify: (1) the dates of the consultations; (2) the location of the Identified Person(s), when each of the consultations was made, and (3) the specific subject matter of each of the consultations.

(e) Identify all Documents and Documentation used, shared, exchanged, referred to, prepared for or received during consultations associated with each "Collaborative" member, marketer, and Person(s) identified in sub-part (a).

<u>IGS – CKY 1-7:</u>

Referring to page 3 of Columbia's Motion, please Identify what Communications and/or Correspondence/Documents Columbia engaged in or provided Persons in support of Columbia's statement that Columbia "advised all those parties of Columbia's intent to file this motion."

<u>IGS – CKY 1-8:</u>

Columbia provided, without priority, to the Commission six goals for the Choice Program (*see, e.g.*, the Commission's January 27, 2000, Order in Case No. 1999-00165, at pg. 3), with reference to the foregoing, please provide responses to the following:

(a) Please Identify and explain why Columbia believes that the "primary" goal of the pilot program is to provide customers with the "opportunity" to save money, as Columbia has indicated on page 3 of Columbia's Motion.

(b) Please Identify and explain, in light of the unpredictability of future natural gas commodity costs, why is it that Columbia believes that in comparison to Columbia's periodically varying GCR cost, a long-term fixed commodity rate provided by a supplier does not provide consumers with an "opportunity" to save money.

IGS – CKY 1-9:

With reference to page 3 of Columbia's Motion and referring to page 3 of Columbia's third (June 2, 2003) Customer Choice Program Annual Report to the Commission in which Columbia asserts that "Choice customers have now paid a total of $3,409,821 more in gas costs than they would have had they been a sales customer of Columbia. This is a grand total from the beginning of the program through March 2003," please provide responses to the following:

(a) Identify the formula and/or methodology that Columbia utilized to calculate the total amount of $3,409,821 (the excess in costs relative to Columbia's traditional sales gas costs that, Columbia asserts, Consumers have paid from the beginning of the Choice Program through March 2003).

(b) Identify the inputs and/or determinants that Columbia applied to the formula and/or methodology referred to in subpart (a) above.

(c) Identify the Documents wherein Columbia calculated and derived the $3,409,821 amount.

(d) Using the formula and/or methodology referred to in subpart (a) herein, Identify the savings and/or cost comparison between Columbia's sales gas costs and the gas costs of suppliers, through June 2003, and Documents evidencing the same.

IGS – CKY 1-10:

Referring to page 13 of Columbia's third (June 2, 2003) Customer Choice Program Annual Report to the Commission, wherein Columbia asserts that to date (June 2, 2003), the Choice Program has resulted in $17,943,767.00 in Total transition costs, consisting of $17,617,074.00 in Transition Capacity Costs, $94,204.00 in Information Technology Costs, and $232,485.00 in Education Costs, please provide responses to the following:

(a) By "to date," with regards to Columbia's above-mentioned calculations, is Columbia referring to costs from the beginning of the Choice Program through June 2, 2003? If not, please identify the exact date range that Columbia is referring to.

(b) Identify: (i) the Documents setting forth Columbia's calculation, derivation, and/or tracking of the $17,617,074.00 in Transition Capacity Costs, (ii) the Person(s) responsible for calculating, deriving, and/or tracking the same, and (iii) the Person(s) responsible for verifying and/or overseeing the accuracy of the same.

(c) Identify: (i) the Documents setting forth Columbia's calculation, derivation, and/or tracking of the $94,204.00 in Information Technology Costs, (ii) the Person(s) responsible for calculating, deriving, and/or tracking the same, and (iii) the Person(s) responsible for verifying and/or overseeing the accuracy of the same.

(d) Identify: (i) the Documents setting forth Columbia's calculation, derivation, and/or tracking of the $232,485.00 in Education Costs, (ii) the Person(s) responsible for calculating, deriving, and/or tracking the same, and (iii) the Person(s) responsible for verifying and/or overseeing the accuracy of the same.

<u>IGS – CKY 1-11:</u>

Referring to page 13 of Columbia's third (June 2, 2003) Customer Choice Program Annual Report to the Commission, Columbia asserts that to date (June 2, 2003), the Choice Program has resulted in $19,616,583.00 in Total Revenues to Off-Set Stranded Costs, consisting of $6,829,741.00 from Off-System Sales, $2,637,822.00 from Balancing Charges, $757,894.00 from Marketer Contribution, and $9,391,126.00 from Capacity Assignment, please provide responses to the following:

(a) By "to date," with regards to Columbia's above-mentioned revenues, is Columbia referring to revenues from the beginning of the Choice Program through June 2, 2003? If not, please provide the exact date range that Columbia is referring to.

(b) Identify: (i) the Documents setting forth Columbia's calculation, derivation, and/or tracking of the $19,616,583.00 in Total Revenues to Off-Set Stranded Costs, including Documents setting forth each transaction and the Person(s) that were the parties to the transaction(s), (ii) the Person(s) responsible for calculating, deriving, and/or tracking the same, and (iii) the Person(s) responsible for verifying and/or overseeing the accuracy of the same.

(c) Identify: (i) the Documents setting forth Columbia's calculation, derivation, and/or tracking of the $6,829,741.00 from Off-System Sales, including Documents setting forth each transaction and parties to the transaction(s), (ii) the Person(s) responsible for calculating, deriving, and/or tracking the same, and (iii) the Person(s) responsible for verifying and/or overseeing the accuracy of the same.

(d) Identify: (i) the Documents setting forth Columbia's calculation, derivation, and/or tracking of the $2,637,822.00 from Balancing Charges, including each transaction and the Person(s) that were the parties to the transaction(s), (ii) the Person(s) responsible for calculating, deriving, and/or tracking the same, and (iii) the Person(s) responsible for verifying and/or overseeing the accuracy of the same.

(e) Identify: (i) the Documents setting forth Columbia's calculation, derivation, and/or tracking of the $757,894.00 from Marketer Contribution, including Documents setting forth each transaction and the Person(s) that were the parties to the transaction(s), (ii) the Person(s) responsible for calculating, deriving, and/or tracking the same, and (iii) the Person(s) responsible for verifying and/or overseeing the accuracy of the same.

(f) Identify: (i) the Documents setting forth Columbia's calculation, derivation, and/or tracking of the $9,391,126.00 from Capacity Assignment, including Documents setting forth each transaction and the Person(s) that were the parties to the transaction(s), (ii) the Person(s) responsible for calculating, deriving, and/or tracking the same, and (iii) the Person(s) responsible for verifying and/or overseeing the accuracy of the same.

<u>IGS – CKY 1-12:</u>

For the period beginning five (5) years before the inception of the Choice Program through June 2003, please: (i) Identify Any and all, and each and every off-system-sales transaction, including non-GCR sales, by Columbia, and (ii) Identify Any and all the Documents evidencing the same, including Documents setting forth each transaction and the Person(s) that were parties to the transaction.

<u>IGS – CKY 1-13:</u>

Since January 2002, have any suppliers had Any Communications with Columbia about participating in the Choice Program? If yes, please provide responses to the following:

(a) Identify the supplier(s) that had Communications with Columbia regarding participating in the Choice Program.

(b) What was or were the nature and/or substance of Columbia's Communications with the supplier Identified in subpart (a) above?

IGS – CKY 1-14:

Please respond to the following requests:

(a) Since January 2001, please Identify and explain what efforts and/or plans, if any, Columbia has made and/or effectuated to attract and/or induce suppliers to participate in the Choice Program?

(b) If Columbia has not made and/or effectuated any such efforts and/or plans to attract and/or induce suppliers to participate in the Choice Program, please explain why Columbia has not expended any efforts and/or effectuated any such plans.

IGS – CKY 1-15:

Referring to page 7 of Columbia's Motion, where Columbia requests that the Commission permit Columbia to terminate the Choice Program and allow Columbia to: (1) retain 35% of the off-system sales revenues with the remainder credited to sales customers and (2) similarly share capacity release revenues, subject to a certain benchmark (collectively (1) and (2), "Columbia's Pre-Choice Shared Revenues"), please respond to the following requests:

(a) For the five (5) years prior to the implementation of the Choice Program, please Identify for each year Any and all Columbia's Pre-Choice Shared Revenues and Identify Any and all the Documents evidencing the same, including Documents setting forth each transaction and the Person(s) that were parties to the transaction.

(b) Has Columbia performed or otherwise discussed, whether formally or informally, any Studies that compare or otherwise consider the impact on revenues to Columbia as between the revenues from Columbia's Pre-Choice Shared Revenues and the revenues to Columbia from the revenue sharing mechanisms under the Choice Program? If yes, please Identify the results or conclusions from such Studies and the Identify the Documents evidencing the same. If no Studies were performed, but Communications or Correspondence were had discussing the same, please Identify the Person(s) that participated in these Communications and Identify the Correspondence or Documents evidencing the same.

REQUEST FOR PRODUCTION OF DOCUMENTS

DR: IGS-CKY 1-1:

Provide copies of or make available for inspection and copying, all Documents and Documentation that are the subject of IGS-CKY 1-1(a).

DR: IGS-CKY 1-2:

Provide copies of or make available for inspection and copying, all Documents and Documentation that are the subject of IGS-CKY 1-6(e).

DR: IGS-CKY 1-3:

Provide copies of or make available for inspection and copying, all Documents and Documentation that are the subject of IGS-CKY 1-7.

DR: IGS-CKY 1-4:

Provide copies of or make available for inspection and copying, all Documents and Documentation that are the subject of IGS-CKY 1-9(c).

DR: IGS-CKY 1-5:

Provide copies of or make available for inspection and copying, all Documents and Documentation that are the subject of IGS-CKY 1-9(d).

DR: IGS-CKY 1-6:

Provide copies of or make available for inspection and copying, all Documents and Documentation that are the subject of IGS-CKY 1-10(b).

DR: IGS-CKY 1-7:

Provide copies of or make available for inspection and copying, all Documents and Documentation that are the subject of IGS-CKY 1-10(c).

DR: IGS-CKY 1-8:

Provide copies of or make available for inspection and copying, all Documents and Documentation that are the subject of IGS-CKY 1-10(d).

DR: IGS-CKY 1-9:

Provide copies of or make available for inspection and copying, all Documents and Documentation that are the subject of IGS-CKY 1-11(b).

DR: IGS-CKY 1-10:

Provide copies of or make available for inspection and copying, all Documents and Documentation that are the subject of IGS-CKY 1-11(c).

DR: IGS-CKY 1-11:

Provide copies of or make available for inspection and copying, all Documents and Documentation that are the subject of IGS-CKY 1-11(d).

DR: IGS-CKY 1-12:

Provide copies of or make available for inspection and copying, all Documents and Documentation that are the subject of IGS-CKY 1-11(e).

DR: IGS-CKY 1-13:

Provide copies of or make available for inspection and copying, all Documents and Documentation that are the subject of IGS-CKY 1-11(f).

DR: IGS-CKY 1-14:

Provide copies of or make available for inspection and copying, all Documents and Documentation that are the subject of IGS-CKY 1-12.

DR: IGS-CKY 1-15:

Provide copies of or make available for inspection and copying, all Documents and Documentation that are the subject of IGS-CKY 1-15(a).

DR: IGS-CKY 1-16:

Provide copies of or make available for inspection and copying, all Documents and Documentation that are the subject of IGS-CKY 1-15(b).

Respectfully submitted,

James R. Cox
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CHESTER WILLCOX & SAXBE LLP
65 East State Street, Suite 1000
Columbus, Ohio 43215-4213
(614) 221-4000 (main number)
(614) 221-4012 (facsimile)

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Interstate Gas Supply, Inc.'s First Set of Discovery To Columbia Gas of Kentucky, Inc. was mailed, postage prepaid to the below listed persons on July 10, 2003.

Counsel for Petitioner

SERVICE LIST

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

Columbia Gas of Kentucky
A NiSource Company

P.O. Box 14241
2001 Mercer Road
Lexington, KY 40512-4241

June 6, 2003

(Drop Box)
RECEIVED
JUN 0 6 2003
PUBLIC SERVICE COMMISSION

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

RE: Case No. 1999-00165

Dear Mr. Dorman:

Please find enclosed an original and ten copies of Columbia's Motion to Terminate its Small Volume Transportation Service. Copies of the Motion have been provided to the docketed service list and the three participating marketers in Columbia's Customer CHOICE program – Community Action Council Buyers Club, Inc., Interstate Gas Supply, and MX Energy.com, Inc.

Columbia respectfully requests a decision by the Commission as soon as possible in order to advance its planning for 2004 and beyond. If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy M. Cooper

Judy M. Cooper
Manager, Regulatory Policy

EXHIBIT
D

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUN 0 6 2003

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 OF COLUMBIA GAS OF KENTUCKY, INC. REQUESTING AUTHORITY TO TERMINATE ITS SMALL VOLUME TRANSPORTATION SERVICE

On April 22, 1999, Columbia Gas of Kentucky, Inc. ("Columbia") filed an application to implement a small volume transportation program, the CHOICE®[1]program ("CHOICE program" or "the pilot program."). This application was filed pursuant to the Commission's requirements in Administrative Case No. 367. The Application was approved by the Commission as a pilot program, with modifications, by Orders issued on January 27, 2000, March 6, 2000 and May 19, 2000. Pursuant to those Orders, the pilot program is scheduled to run through October 31, 2004. By this motion, Columbia requests authority to terminate the pilot on March 31, 2004 – seven months earlier than originally contemplated – for the reasons discussed below. Columbia has consulted with each of the "Collaborative" members that helped develop the pilot program – i.e., the Office of the Attorney General, the Lexington-Fayette Urban County Government, and the

[1] 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.

Community Action Council of Fayette, Bourbon, Harrison and Nicholas Counties – as well as with each of the marketers currently participating in the pilot program, and advised all those parties of Columbia's intent to file this motion.[2]

I. THE PILOT PROGRAM SHOULD BE TERMINATED IN MARCH 2004

The pilot program is scheduled to run through October 2004. As the Commission is aware, Columbia has for some time contemplated early termination of the pilot program. Attached hereto as Attachment 1 are proposed tariffs revised to reflect the termination of the pilot program on March 31, 2004.

In Columbia's most recent rate case, PSC Case No. 2002-00145, the Commission issued a number of data requests by Order dated June 12, 2002. The second question asked, in part, "Given that Customer Choice customers have paid almost $ one million more than if they had remained sales customers, explain whether Columbia has considered making changes to the four-year term of the pilot." Columbia responded that it was considering whether it should change the term of the program, and that Columbia expected to complete its evaluation by the end of 2002.

In Case No. 2002-00117 Columbia proposed revisions to its pilot program tariffs. The Commission issued a number of data requests by Order dated December 12, 2002. The fourth question asked Columbia to provide an estimate of when the results of its evaluation of possible changes to the term of the pilot program could be provided to the Commission. Columbia responded that the evaluation was ongoing, and that Columbia planned to complete its evaluation during the first quarter of 2003.

---

[2] FSG Energy Services, a marketing subsidiary of Wisconsin Public Service Resource Corporation, provided input on the original application, but was not contacted because it did not participate in the pilot program.

Columbia has completed its evaluation and believes that the pilot program should not be continued, and in fact, should end several months early, so that it will terminate on March 31, 2004. There are several reasons that support this conclusion.

First, the primary goal of the pilot program is not being achieved – i.e., in the aggregate customers are not saving money. While the program does provide customers with an *opportunity* to save money, the actual experience has been that in the aggregate customers have not saved money.

As noted on page 3 of Columbia's Customer Choice^{SM} Program Annual Report, filed on June 3, 2002, through March 2002 pilot program customers paid a total of $813,742 more in gas costs than they would have had they remained a sales customer of Columbia. The most recent data available, as of March 31, 2003, indicates that pilot program customers have paid a total of $3,409,821 more in gas costs than they would have had they remained Columbia sales customers. While individual customers may have saved money as participants in the pilot program, in the aggregate customers have not saved money and the first goal of the pilot program has not been successfully attained.

Columbia does not foresee any likelihood that customers will realize significant savings in the immediate future[3]. Columbia is the supplier of last resort for all of the firm customers on its system. As the supplier of last resort, Columbia must contract for firm, primary capacity for its core market customers, so that such capacity is available long-term. As a result, a program such as the pilot program must incorporate mandatory assignment of Columbia capacity in order to minimize stranded costs, or if permitting optional assignment of capacity, must deal with sub-

[3] While at one point as many as seven marketers served customers as part of the pilot program, that number is now down to three.

stantial levels of stranded costs. Another goal of the pilot program is revenue neutrality – i.e., Columbia must be permitted to recover its stranded costs – but the collection of stranded costs from customers is not a viable long-term alternative that Columbia wishes to pursue. On the other hand, mandatory assignment of capacity to marketers minimizes Columbia's stranded costs, but also tends to reduce the opportunity for savings that marketers can pass on to customers. Thus, with or without mandatory assignment of capacity, the long-term prospects for customer savings in the pilot program appear doubtful.

Second, if extended beyond March 31, 2004, Columbia will likely incur substantial stranded costs that it will not be able to recover, which conflicts with the revenue neutrality goal of the pilot program. Attachment 2 is a schedule that shows Columbia's stranded costs and offsetting revenues. As evidenced by that schedule, stranded costs are currently over-funded by $1.67 million. For the reasons explained below, ending the program in March, 2004 will minimize the accrual of stranded costs, and to the extent the program can be ended at a point in time when the recovery pool exceeds the stranded costs, the excess will be credited to sales and CHOICE customers on a throughput basis, as directed in the Commission's Order in this docket dated May 19, 2000, at page 2.

Third, the best time to end the pilot program is on March 31 of any year, given the manner in which storage contracts work. Storage activity is an annual cycle that requires injections in the summer and withdrawals in the winter. Storage allows Columbia and marketers serving temperature-sensitive customers the ability to purchase gas supplies during the summer and then deliver the supplies to these customers during the high demand winter season. Without storage it would be impossible to serve the highly temperature-sensitive demand of residential and small commercial customers in today's marketplace.

Under the tariff of Columbia's primary interstate pipeline, Columbia Gas Transmission Corporation ("TCO"), Firm Storage Service ("FSS") has maximum monthly injection limitations. The sum total of these monthly injection limitations is equal to only 115% of the seasonal contract quantity of the FSS contracts. Under Columbia's pilot program marketers are assigned capacity each April first for their existing customer base, and the first of each month thereafter for any increase in the number of customers they have enrolled in the pilot program.

For those assignments of storage made effective on April first of any year, no inventory is sold to the marketers, thus the marketers are responsible for placing 100% of gas into storage during the summer. The marketers then have only 15% summer injection flexibility. Should storage injections be delayed just one month, the entire seasonal injection flexibility is lost.

As noted above, the October 31 pilot program expiration date falls in the middle of the storage year, and is therefore a cause of concern for several reasons. If the pilot program were to terminate on October 31, 2004, marketers would be obligated to take assignment of storage and related transportation effective April 1, 2004, fill storage throughout the summer of 2004 and then return the storage to Columbia effective October 31, 2004. There are two primary risks under this scenario. First, marketers likely would not accept the storage assignment. Under TCO's tariffs, assignments of capacity require both the releasing party (Columbia) and the accepting party (marketers) to complete the capacity release transaction. If the marketer elects not to accept the assignment then the assignment cannot be accomplished. As storage is primarily needed to serve the higher seasonal and daily demand of the winter season, marketers would have no incentive to take assignment of storage as they would incur the costs of the storage during the summer, but not be able to recover those costs during the ensuing winter. The second concern relates to who would fill the storage. Even if a marketer would accept assignment of storage there is no incentive for the marketer to purchase summer season supplies if they have no market after the summer season. In addition, should a marketer refuse to abide by the tariff and accept the storage assignment, Columbia would be placed in the position of terminating the marketer's participation in the program. This of course, would create unnecessary confusion and problems for all concerned and especially the customers. Thus, even if the marketer would take the assignment of storage there is a very high risk that the storage may not get filled during the summer. If the pilot program were to end on October 31, 2004 and the storage capacity was returned to Columbia, it could very likely be empty and Columbia would be in a precarious position regarding service to its customers. Without gas in storage Columbia would be at risk on both a seasonal and daily basis as storage deliveries are firm only when gas is withdrawn from storage and transported on Storage Service Transportation capacity to a Columbia city gate. If no gas were in storage then Columbia would be required to purchase interruptible supplies placing service to the customers at risk.

Thus, as storage plays a very significant roll in providing service to residential and small commercial customers it is advantageous to Columbia, marketers and customers to end the pilot program early, on March 31, 2004. Columbia and marketers will avoid the problems with storage contracts discussed above. The pilot program will have run through the last winter period for which the program was approved, and there will be very little opportunity for further customer savings during the relatively warmer months of April through October 2004.

II. COLUMBIA'S PRE-PILOT PROGRAM TARIFFS SHOULD BE RESTORED UPON EXPIRATION OF THE PILOT PROGRAM

As part of its pilot program, Columbia used 75% of its off-system sales revenue to help offset stranded costs. Columbia was permitted to retain the other 25% in order to provide Columbia with an incentive to maximize off-system sales revenue, and in exchange for Columbia assuming the risk of unrecovered stranded costs. *See* the Commission's Order in this docket, dated May 19, 2000, at 2.

Prior to the implementation of the pilot program, Columbia's Gas Cost Incentive Program provided that 65% of Columbia's off-system sales revenue was to be credited to sales customers through Columbia's Gas Cost Adjustment ("GCA") mechanism, and that Columbia was to be permitted to retain 35% of the off-system sales revenue. A similar sharing mechanism existed for capacity release revenue; however, that mechanism also incorporated a benchmark that had to be reached before any sharing of the capacity release revenue occurred. If the benchmark was not reached, all capacity release revenue was credited to the GCA. The Commission authorized these gas cost incentive provisions in PSC Case No. 96-079.

Although the savings are not obvious, the incentive produces a benefit – i.e., a reduction in gas costs to all customers. Upon expiration of the pilot program – March 31, 2004 as proposed herein – Columbia requests that its gas cost incentive mechanisms be restored to those approved in Case No. 96-079, which were effective prior to the implementation of the pilot program, and that Columbia's Gas Cost Adjustment mechanism be restored to that which was in effect prior to implementation of the pilot program. Attached hereto as Attachment 3 are tariff pages to be restored, effective on April 1, 2004.

III. TRANSITION ISSUES

As with its initial application to implement the pilot program, Columbia believes that customer education is critical. If this motion is granted, Columbia will begin the process of winding down the pilot program. Once this process begins, Columbia would like to avoid signals that might lead customers to incorrectly believe that the pilot program has long-term vitality. Thus, Columbia believes that it is not in the public interest to certify new marketers, or to have existing marketers engage in large scale enrollment campaigns.

Through March 2004, Columbia is requesting Commission authority to limit marketer participation in the pilot program to the existing three marketers[4], thus permitting Columbia to deny participation to any new marketers. In accordance with the Standards of Conduct, Columbia will continue to provide customers a list of all participating marketers. However, Columbia will not continue to make its customer lists available to marketers. Upon Commission approval of this motion Columbia will begin the process of educating customers about the termination of the pilot program.

WHEREFORE, Columbia Gas of Kentucky, Inc. respectfully requests that the Commission authorize Columbia to terminate its pilot small volume gas transportation program on March 31, 2004, and that the gas cost incentive and adjustment mechanisms approved in PSC Case No. 96-079 be reimplemented, all as set forth in the proposed revised tariffs attached hereto.

Respectfully submitted,

Stephen B. Seiple (gme)

Stephen B. Seiple, Lead Counsel

Stanley J. Sagun, Assistant General Counsel
Stephen B. Seiple, Lead Counsel
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Telephone: (614) 460-4648
Fax: (614) 460-6986

[4] Since December 2001, no new marketers have sought to participate in the pilot program.

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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 Motion was served upon the parties on the attached Service List by regular U.S. Mail this 6 th day of June, 2003.

Stephen B. Seiple (GMC)

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

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ATTACHMENT 1
PROPOSED TARIFFS
TO BE EFFECTIVE THROUGH
MARCH 31, 2004

SMALL VOLUME GAS TRANSPORTATION SERVICE
(SVGTS)
RATE SCHEDULE

APPLICABILITY

Entire service territory of Columbia Gas of Kentucky through March 31, 2004. 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 AGGREGATION SERVICE
(SVAS)
RATE SCHEDULE

APPLICABILITY

Entire service territory of Columbia Gas of Kentucky through March 31, 2004. 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.

STRANDED COST/ RECOVERY POOL

STRANDED COST/ RECOVERY POOL

Columbia shall establish an account to track through March 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 applicable pipeline demand charges by the volume of firm capacity in excess of that required for sales customers.
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. 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.
5. Balancing Charges – Revenue received from balancing charge assessed to Marketers under the small volume gas transportation service program.
6. Off-System Sales – 75% of all revenues received from off-system sales and exchanges (other than those revenues generated by operational sales), net of costs.
7. Marketer Contribution – Revenue received from marketer's rate of $0.05 per Mcf for all volumes delivered to marketer's customers.
8. 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 April 1, 2004 is greater than or less than zero, Columbia will absorb the loss if the costs exceed revenues or if revenues exceed costs, Columbia will credit the gain to sales and SVGTS customers on a throughput basis.

SMALL VOLUME GAS TRANSPORTATION SERVICE
(SVGTS)
RATE SCHEDULE

APPLICABILITY

Entire service territory of Columbia Gas of Kentucky through March 31, 2004. See Sheet No. 8 for a list of communities. T

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SMALL VOLUME AGGREGATION SERVICE
(SVAS)
RATE SCHEDULE

APPLICABILITY

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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.

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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. 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.
5. Balancing Charges – Revenue received from balancing charge assessed to Marketers under the small volume gas transportation service program.
6. Off-System Sales – 75% of all revenues received from off-system sales and exchanges (other than those revenues generated by operational sales), net of costs.
7. Marketer Contribution – Revenue received from marketer's rate of $0.05 per Mcf for all volumes delivered to marketer's customers.
8. 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.

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Net Stranded Costs = Stranded Cost/Recovery Pool + Interest:

If the Net Stranded Costs balance at ~~November~~ April 1, 2004 is greater than or less than zero, Columbia will absorb the loss if the costs exceed revenues or if revenues exceed costs, Columbia will credit the gain to sales and SVGTS customers on a throughput basis. T

DATE OF ISSUE: **DATE EFFECTIVE:** July 6, 2003

Issued by: Joseph W. Kelly Vice President

ATTACHMENT 2
STRANDED COST AND RECOVERY POOL SCHEDULE

Columbia Gas of Kentucky, Inc. Choice Program
Calculation of Actual/Projected Stranded Costs and Offsetting Revenues

	November 2000 - April 2003	Projected May 2003 - March 2004
Stranded Costs:		
Capacity	17,617,074	6,771,928
IT Costs	94,208	0
Education Costs	232,485	0
Total Stranded Costs	17,943,767	6,771,928
Revenue Opportunities		
Temp Balancing	2,637,822	0
Capacity Assignment	9,391,126	6,217,403
Off-System Sales	6,829,741	802,474
Marketer Contribution	757,894	294,454
Total Revenue Opportunities	19,616,583	7,314,331
Net Stranded Cost (note neg. = revenue exceeds cost)	(1,672,816)	(542,403)
Cumulative Net Stranded Cost (note neg. = revenue exceeds cost)		**(2,215,219)**

ATTACHMENT 3
TARIFFS
TO BE RESTORED
APRIL 1, 2004

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:

(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.

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.

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Capacity release revenues ~~will~~ generated by Administrative Releases will be credited 100% to gas cost. T

Capacity Release Revenues, other than those revenues generated by Administrative Releases 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.

DATE OF ISSUE: ~~June 19, 2000~~
Issued by: Joseph W. Kelly

DATE EFFECTIVE: ~~July 19, 2000~~April 1, 2004
Vice President and Chief Operating Officer

~~Issued by authority of an Order of the Public Service Commission in Case No. 99-165 dated May 19, 2000~~

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.

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.

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.

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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.

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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.

Customer Choice[SM]

Make a Choice. Take Control.

Columbia Gas of Kentucky, Inc.
Customer Choice[SM] Program Annual Report
Table of Contents

June 01

[winter 00-01]

1 FIRST ANNUAL REPORT

EXHIBIT

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Introduction

Columbia Gas of Kentucky's ("Columbia") application requesting approval of its Customer Choice Program described an annual report to be filed with the Kentucky Public Service Commission ("Commission"). This first annual report summarizes key elements and initial outcomes of Columbia's pilot program beginning with the public announcement and kickoff of the program on July 19 and continuing through the first eight months of the program's operation.

On September 18, 2000 the residential and small commercial customers of Columbia Gas of Kentucky became the first utility customers in Kentucky to be offered the choice of purchasing their energy supplies from an entity other than a regulated utility. The Columbia Customer Choice Program was introduced to the public prior to that date on July 19 with a press conference describing the Program to various media outlets from across Columbia's operating territory – and beyond. From there a massive customer education campaign ensued to educate the approximately 140,000 customers eligible for the program about CHOICE. Customers were officially able to enroll with one of four certified marketers approved to participate in the Program starting on September 18.

The winter of 2000-01 proved to be a difficult one for natural gas utilities and customers alike across the nation. Tight supplies causing higher wholesale natural gas prices combined with record-breaking cold temperatures in December proved to be a double whammy for customers. With natural gas bills rising customers were focused on their bills, particularly the gas cost portion of the bill. Continued customer education efforts (Columbia made over sixty (60) community presentations on Customer Choice last year) and attractive offers from marketers proved to be enticing to customers. As of the May enrollment period, 42,888 customers, or approximately 30.6 percent of eligible customers and 36.2% of eligible volumes, had enrolled with one of the participating marketers in the Customer CHOICE Program. This level of participation so quickly has exceeded everyone's expectations. In fact, projections for customer participation, developed in part by examining participation levels from other programs across the country, did not anticipate this level of customer enrollment until the end of the program.

Also encouraging has been the level of customer savings generated by the program. Customers have saved a total of $1,458,148 on gas costs from November 2000 through the first six months of the program. To put this into perspective, the typical residential customer using an average of 8 MCF per month throughout the year paid $59.29 per month for natural gas from Columbia Gas of Kentucky. This same customer would have saved more than $71 over a full year if enrolled under the 10% off of Columbia's gas cost offer accepted by most customers. *In other words, this customer will have saved enough through the Customer CHOICE Program to have received, in effect, more than one month's gas free.*

The wild weather of December 2000 produced some hardships to natural gas suppliers and marketers as well. During this month two marketers certified to participate in the CHOICE program failed to deliver the required supplies to Columbia for their customers.
As a result, Columbia was obligated to terminate the two marketers from the program. This was an early test of the program's viability and it passed with Columbia exercising its role as the

supplier of last resort and taking the customers back from the terminated marketers. Most of those customers have since enrolled with the remaining marketers in the program.

Columbia Gas of Kentucky's Customer CHOICE Program follows programs implemented in 23 states across the U.S. Columbia believes it benefited from the experience of these other programs by analyzing them prior to beginning the development of its own program. From this research Columbia identified several goals that it believes are critical to the success of the program:

- 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;
- 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 the Customer CHOICE Program;
- 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.

Columbia still believes that these goals are critical to the success of the program and, in fact, have contributed to the early tremendous success of Columbia Gas of Kentucky's Customer CHOICE Program.

The development of the Program followed the above goals and could not have been accomplished without the thoughtful and committed involvement of the members of the Customer Choice Collaborative. 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 all provided countless hours to the development of this program and it is a better program as a result of their involvement. In addition, FSG Energy Services, a marketing subsidiary of Wisconsin Public Service Resources Corporation, provided valuable input as well. Columbia is extremely grateful for the assistance and counsel of the parties above.

Summary

The Columbia Gas of Kentucky Customer CHOICE Program has been a tremendous success.

The evidence of the program's success is illustrated by the following:

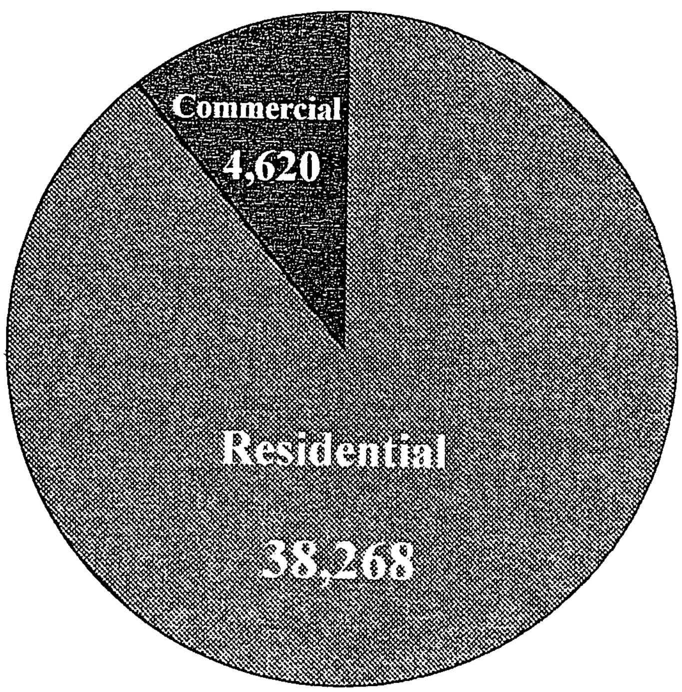
1. **Robust Customer Participation**. With 42,888 customers enrolled in the program, representing approximately 30.6% of eligible customers and 36.2% of eligible volumes, customer participation far exceeds anyone's expectations. This level of participation was not expected until the end of the program. With customer participation lagging in some other programs around the country the level of customer participation is evidence that the goals and design of the program are well founded.
2. **Impressive Customer Savings**. Both residential and commercial customers are saving money through the Customer CHOICE Program – one of the primary goals of the program. Cumulative savings since gas first flowed to CHOICE customers on November 1, 2000 (six months of actual experience) amount to $1,458,148. The average residential customer who enrolled in time for their November gas purchases to be supplied by a marketer would have saved a total of $52.37 through March, 2001(calculated by dividing total residential Choice customers' savings each month by the number of Choice customers enrolled each month). Furthermore, a typical residential customer using an average of 8 MCF per month throughout the year would spend $59.29 per month on gas costs if purchasing the commodity through Columbia. If this same customer purchased their natural gas through a Choice Program marketer and enrolled under the 10% off Columbia's gas cost rate, that customer would save $71.15 in gas costs over the course of the year. *In other words, this customer would have saved enough through the Customer CHOICE Program to have received, in effect, more than 12 months of natural gas for the price of 11 months.*

3. **Low Number of Customer Complaints**. Columbia has assumed the responsibility of responding to customer complaints regarding the Customer CHOICE Program. To date Columbia has received only 167 complaints, representing 1.7% of Customer Choice-related customer calls to the Columbia Customer Service Center and only .4% of the 42,888 customers enrolled in the program.

4. **High Customer Awareness Levels**. An independent customer survey conducted in November 2000 showed that almost three-fourths of Columbia customers were aware of the Customer CHOICE Program.

Customer Choice
Make a Choice. Take Control.

Residential & Commercial Customer Participation

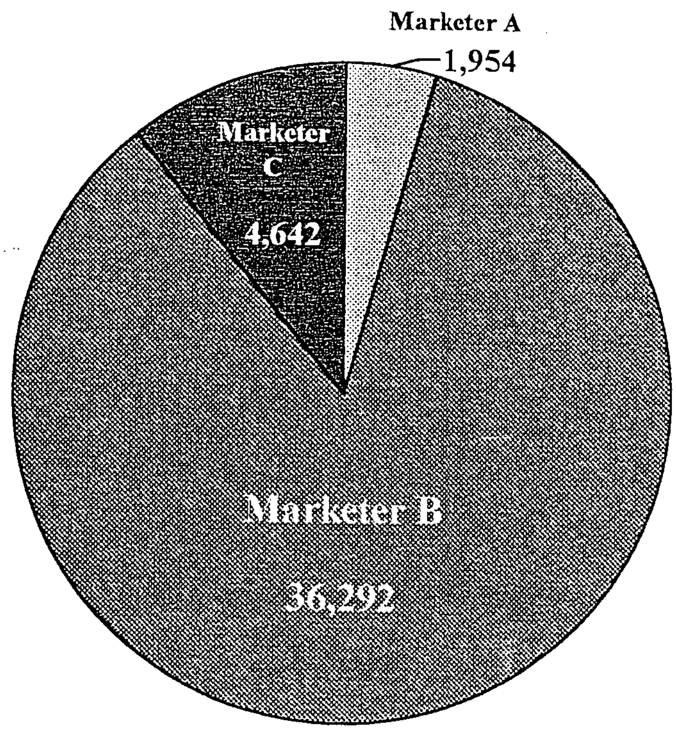


As of May 15, 2001

Customer Choice

Make a Choice. Take Control.

Marketer Enrollment



Note: In an effort to avoid undue influence in a competitive market, marketer data for this report will not be identified by specific marketer name.

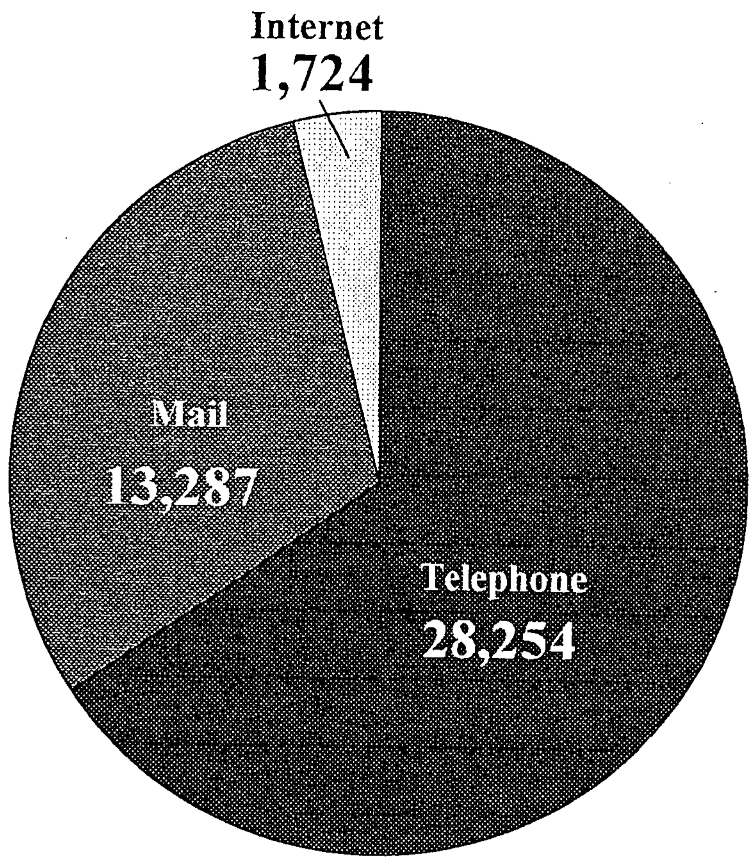
Marketer D has no customers.

As of May 15, 2001

Customer Choice

Make a Choice. Take Control.

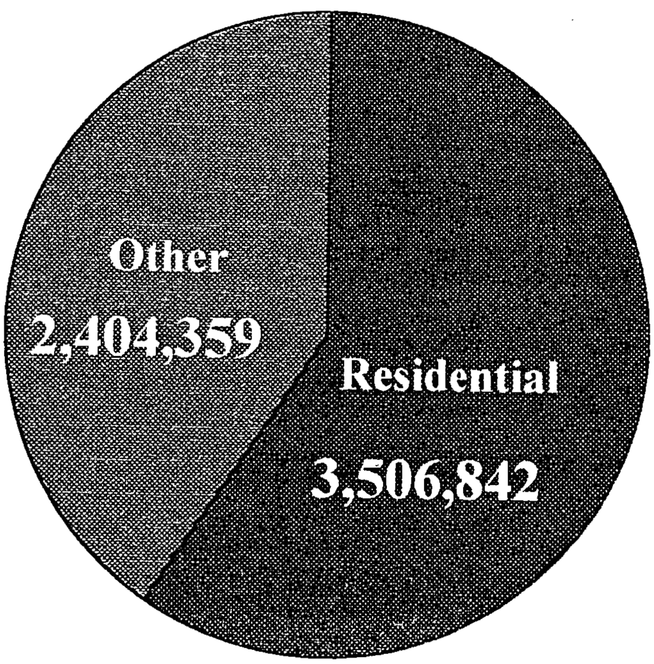
Methods of Enrollment



As of May 15, 2001

Customer Choice
Make a Choice. Take Control.

Total Volumes Purchased From Marketers By Participating Customers (Mcf)

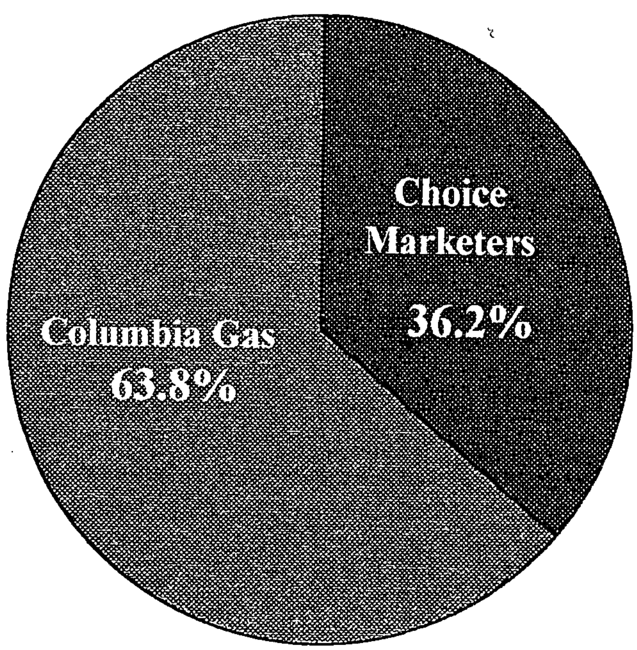


Total = 5,911,201 Mcf Annually

As of May 15, 2001

Customer Choice
Make a Choice. Take Control.

Percentage of Customer Participation By Volume



36.2 percent of total eligible throughput is being supplied by a Choice marketer.

As of May 15, 2001

Certified Marketers

Stand Energy Corporation
Stacee Dover
1077 Celestial Street, Suite 110
Cincinnati, Ohio 45202
800-598-2046

Interstate Gas Supply, Inc.
Dave Burig, Customer Choice Program Director
5020 Bradenton Avenue
Dublin, Ohil 43017
800-280-4474

MxEnergy.com, Inc.
Robert Blake
745 West Main Street, Suite 100
Louisville, Kentucky 40202
800-785-4373

Energy.com
Eric Cellar, Director Energy Group
921 Eastwind Drive, Suite 112
Westerville, Ohio 43081
877-289-7401

Rates Charged by Marketers

The following marketer rates are not identified by marketer name in order to avoid undue influence in a competitive market.

Marketer	Rates as of 6/1/01
A	$7.86 per Mcf
B	10% off Columbia's GCR 12% off Columbia's GCR $6.641 per Mcf $7.65 per Mcf $7.59 per Mcf
C	$6.999 per Mcf $8.4833 per Mcf $8.8445 per Mcf 10% off Columbia's GCR $7.79 per Mcf $8.25 per Mcf $7.99 per Mcf
D	None

Customer Education

On July 19, 2000, Columbia Gas of Kentucky officials held a press conference to begin educating natural gas consumers about the concept of "choice" prior to the official launch of the company's Customer CHOICE^{SM} Program. Prior to the official announcement of the program, Columbia Gas of Kentucky officials met with members of the Lexington Herald-Leader Editorial Board to provide them an overview of the program and answer their specific questions. The resulting editorial coverage of the program was positive. Media coverage of the press conference was extensive and provided an outstanding kickoff to the program's official customer education efforts. Those efforts included:

Advertising
Following the announcement of the program, Columbia Gas of Kentucky initiated an advertising campaign to educate consumers about the concept of having a "choice" of natural gas suppliers and how they could find out more details about the program. The campaign included newspaper, radio and specialty publication (i.e. Lexington Family Magazine) placements through October 2000.

In-Bill Communication
In addition to paid advertising, Columbia Gas of Kentucky relied heavily on its ability to communicate through bill inserts about the Customer CHOICE Program. Specific information about how the program works, frequently asked questions, marketer contact information and questions to ask marketers appeared in the in-bill newsletter, *Gaslines*, in July-August, September, October and November 2000 bills.

Community Presentations
From August through December 2000, Columbia Gas of Kentucky staff members made over 60 presentations to neighborhood associations, civic groups, professional organizations, seniors groups, community events, and government groups throughout its service area. An educational video and brochures describing the Customer CHOICE Program were used for these presentations. These presentations provided consumers the opportunity to ask specific questions of a Columbia Gas representative in person. That face to face interaction provided many customers a comfort level needed to embrace the new concept.

In addition, Columbia Gas of Kentucky representatives appeared on six public affairs programs airing on 11 radio and two television stations.

Web Site
During the Customer CHOICE Program customer education campaign, the company's Web site home page was dedicated to the program, providing a detailed description of the program and answers to frequently asked questions. Once the program was officially launched, the site also included a list of approved marketers, toll-free phone numbers and links to their Web sites.

The Columbia Gas of Kentucky Web site – www.columbiagasky.com – enables customers to ask questions online. In 2000, over 40 inquiries about the Customer CHOICE Program were received and promptly answered by Columbia Gas of Kentucky representatives.

Customers can also request a speaker to address their organization via the Web site by completing and submitting an online speaker request form.

Media Requests

Requests for interviews by print and electronic media were numerous following the announcement of the Customer CHOICE Program. In addition to many television and radio interviews conducted, over 40 print articles about the Customer CHOICE Program appeared during 2000.

Customer Service Center Training

Training was conducted for all Customer Service Representatives in the Lexington Customer Service Center to provide them with adequate knowledge of the program in order to allow them to explain the Customer CHOICE Program to customers who called with inquiries. Training included information regarding:

- Why Columbia Gas of Kentucky was introducing the Customer CHOICE Program
- Who was eligible to participate in the program
- Participation is voluntary
- Possible benefits to customers
- Billing information
- More detailed information about program (participating marketers, how to enroll, reliability, etc.)

The Customer Service Center received 9,758 calls from July 2000 through April 2001 from customers seeking information about the Customer CHOICE Program.

Market Research

In November 2000, Columbia Gas of Kentucky commissioned a telephone survey to test the effectiveness of their customer education efforts. A total of 608 telephone interviews were conducted in selected areas within Columbia's Kentucky service territory.

The research revealed that almost three-fourths of Columbia Gas of Kentucky's customers were aware of their ability to choose a natural gas supplier. That rate of awareness was consistent throughout all markets surveyed demonstrating that messages were delivered effectively to customers throughout the entire service territory. Research also showed that information about the Customer Choice Program was obtained through a variety of methods, including bill inserts, advertising and mainstream media.

Total Costs

Total costs incurred to educate Columbia Gas of Kentucky customers about the Customer CHOICE Program were $232,485. Costs were incurred from July 19, 2000 through December 31, 2000. Total costs do not include training of Customer Service Representatives or staff time to make community presentations.

Stranded Costs

The amount of stranded costs incurred under the program to date; and the amount of revenue, to date, realized from opportunities developed to off-set stranded costs under the program.

Transition Capacity Costs	$1,186,678
Information Technology Costs	$91,914
Education Costs	$232,485
Total	**$1,511,077**

Revenue to Off-Set Stranded Costs

Revenues Generated to Recover Stranded Costs, to date:

Off-System Sales	$1,261,155
Balancing Charge	$647,496
Marketer Contribution	$92,500
Total	**$2,001,151**

Note: Revenue opportunities should exceed stranded costs in the early years of the program but this situation reverses in the later years of the program as stranded costs will then exceed revenue opportunities for two primary reasons. First, transition capacity costs will increase as customer participation increases, increasing stranded costs later in the program. Second, revenue opportunities decrease after the initial years as there will be fewer opportunities to make off-system sales as customer participation increases. This occurs because the size of Columbia's merchant function is decreasing at the same time that its capacity asset portfolio is declining.

Columbia Gas of Kentucky
A NiSource Company
P.O. Box 14241
Lexington, KY 40512
(859) 288.0215
Fax: (859) 288.0258

RECEIVED
JUN 0 3 2002

Mr. Thomas M. Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

June 3, 2002

Dear Mr. Dorman

Pursuant to the Commission's Orders of January 27, 2000, March 6, 2000 and May 19, 2000 in Case No. 99-165, Columbia Gas of Kentucky, Inc. hereby files its Annual Report on the Customer CHOICE^{SM} program. An original and six copies of the report are enclosed.

If you have any questions, please call me at (859) 288-0242. Thank you.

Sincerely,

Judy Cooper

Judy M. Cooper
Manager, Regulatory Policy

Enclosures

SECOND ANNUAL REPORT

EXHIBIT
F

Customer Choice[SM]

Make a Choice. Take Control.

Columbia Gas of Kentucky, Inc.
Customer Choice[SM] Program
Annual Report

June 3, 2002

Customer Choice℠

Make a Choice. Take Control.

Columbia Gas of Kentucky, Inc.
Customer Choice℠ Program Annual Report
Table of Contents

Introduction

Columbia Gas of Kentucky's ("Columbia") application requesting approval of its Customer Choice Program described an annual report to be filed with the Kentucky Public Service Commission ("Commission"). This second annual report will summarize the Program and its progress over the last year. In addition, the report will benchmark the progress of the Program so far against the six stated goals of the Program as listed in Columbia's initial Choice Application.

Columbia identified six primary goals that it believed would be critical to the success of the Program. These goals were used as a guide when developing the details of the Program with the Customer Choice Collaborative and stated clearly in the application to the Commission. The members of the Collaborative are 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, FSG Energy Services, a marketing subsidiary of Wisconsin Public Service Resources Corporation, provided valuable input as well. The stated goals are listed below along with a summary of the progress to date on each.

- The program must provide an opportunity for customers to save money on their gas bills.

At the time of the filing of the first Customer Choice annual report Columbia was extremely pleased with the level of customer savings through the first six months of the Program. Customers had saved a total of $1,458,148 on gas costs from November 2000 through the first six months. To put this into perspective, the typical residential customer using an average of 8 MCF per month throughout the year paid $59.29 per month for natural gas from Columbia. This same customer would have saved more than $71 over a full year if enrolled under the 10% off of Columbia's gas cost offer accepted by most customers. In effect, this customer would have saved enough through the Customer Choice Program to have received more than one month's gas free.

Tight supplies causing higher wholesale natural gas prices combined with record-breaking cold temperatures in December focused customers on their gas bills, particularly the gas cost portion of the bill. Combined with easy to understand, no-risk offers from marketers such as 10% off of Columbia's gas cost prompted customer enrollments into Choice at a pace far exceeding everyone's expectations. As of May 2001, 42,888 customers representing approximately 30.6% of eligible customers and 36.2% of eligible volumes had enrolled with a marketer. As of May 2002, the latest numbers available, 50,834 customers representing approximately 36% of eligible customers had enrolled with a marketer. Clearly, the fact that only an additional 7,946 customers, or another 6% of eligible customers, enrolled in the last year indicates that new interest in the Program has subsided and the number of customer enrollments has probably plateaued.

During the last year, however, wholesale prices have stabilized and Columbia's gas costs have dropped significantly. At the same time, marketers switched from offering guaranteed savings rates, such as 10% off of Columbia's cost, to offering fixed price rates. In most cases, the fixed price rate being paid by many customers is now above Columbia's gas cost. As a result, Choice customers have now paid a total of $813,742 more in gas costs than they would have had they remained a sales customer of Columbia. This is a grand total from the beginning of the program through March 2002.

While this trend may reverse itself again in the coming months, today customers have not saved money on their gas bills, a prime goal of the program.

- 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.

Once a marketer is deemed credit-worthy to participate in the Choice Program, Columbia and the marketer execute an aggregation agreement. According to the terms of these aggregation agreements, marketers agree to contract for firm, primary point delivery entitlements on the interstate pipeline. Under the aggregation agreement Columbia has the right and the obligation to contact marketers and ask that they verify their contracts for firm pipeline entitlements. This obligation is also reflected on sheets 36e and 36f of Columbia's tariff.

Columbia sent letters to the two marketers serving Choice volumes with the marketers' own capacity in early January 2002 requesting verification of their firm pipeline contracts. It became apparent that those marketers did not obtain the required firm, primary point delivery entitlements on the interstate pipeline. Without primary firm contracts, there is a risk that the marketers could fail to deliver adequate supplies to meet the needs of their residential and commercial customers. During times of high demand those marketers with firm pipeline contracts will receive the gas their customers need; however, those marketers without the firm pipeline contracts may not be able to deliver the quantities required to serve their customers.

Should a marketer not be able to deliver to its customers, Columbia would need to serve as the supplier of last resort to ensure that customers do not lose natural gas service. While Columbia accepted the role of supplier of last resort for the Choice Program, it did so only with the provision in the tariff and aggregation agreements that marketers obtain firm pipeline contracts to ensure delivery of supplies to their customers. In its Customer Choice Application Columbia submitted that one of the six goals of the program was to "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." However, Columbia's Application also emphasized that "reliability is a major emphasis of the program." That is why marketers must agree, as a condition of being certified to participate in the Choice Program, to demonstrate that they have the firm, primary point capability to reliably serve program customer requirements.

According to Columbia's tariff and aggregation agreements, if a marketer does not abide by the program requirements Columbia's only enforcement option is to suspend or terminate the marketer from the Choice Program. In order to avoid termination of marketer participation in the Choice Program, Columbia proposed an alternative solution on March 15, 2002. Columbia proposed that capacity assignment would become mandatory for all Choice customer demand. This approach would allow customers enrolled with marketers to continue to receive service from their marketer with the firm reliability that is required, and protect Columbia from having to find pipeline capacity on a peak day because of the failure of a marketer that did not live up to its aggregation agreement. It would also protect the marketers from being penalized severely for a failure to perform.

It now appears that the savings generated by the Program in the first six months, and the negative savings generated since then, were produced with marketers serving customers with their own pipeline capacity by placing a great risk on both Columbia and its customers. Columbia believes strongly in an equitable risk/reward model. This current arrangement, however, allows the marketers to reap the rewards while Columbia and its customers bear all of the risk.

- The program should be revenue neutral for Columbia, and must allow Columbia to recover its stranded costs and incremental program expenses.

The extremely rapid acceleration of enrollment into the Program caused stranded costs to rise much faster than anticipated. As a result, on April 2, 2001 Columbia informed the Commission and the Choice Program marketers that it had become necessary to invoke Phase II of the Program, effective July 1, 2001. Under Phase II Columbia would assign its capacity to marketers for all new Choice customers in order to permit Columbia to manage the substantial risk of financial exposure from stranded costs at the end of the program. Columbia still believes that this goal is appropriate.

- 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.

This goal is as appropriate today as it was when the Program was designed. Columbia believes recovery of stranded costs in a transparent manner enables customers to better understand the choice they make. Columbia also believes this goal has been accomplished through the model approved by the Commission.

- 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 the Customer CHOICE Program.

This goal is also as appropriate today as it was when the Program was designed. In fact, the addition of the Actual Gas Cost Adjustment on Choice customers' bills helped ensure that Columbia's sales customers would not incur any additional charges because of Choice. Columbia believes this goal has been accomplished.

- 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.

This goal was also accomplished by the Commission allowing for a customer education period prior to when marketers would be allowed to contact customers and enroll them into the Program.

Customer Choice

Make a Choice. Take Control.

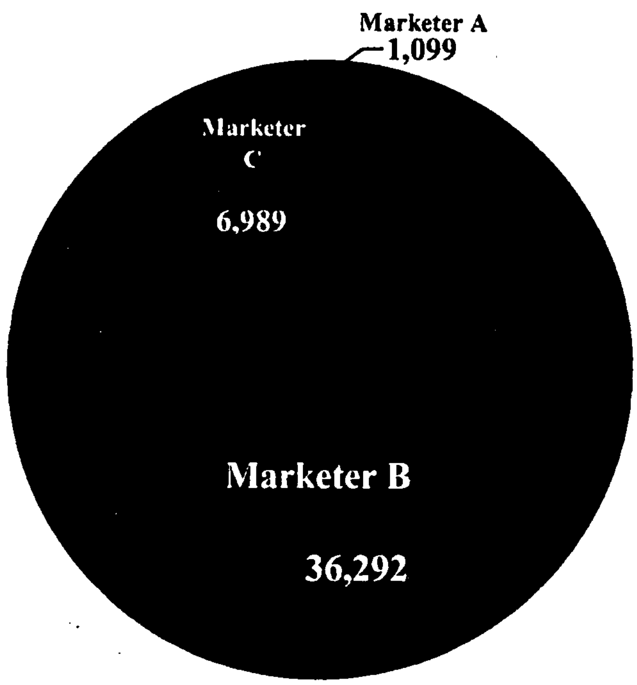
Residential & Commercial Customer Participation

As of May 15, 2002

Customer Choice

Make a Choice. Take Control.

Marketer Enrollment



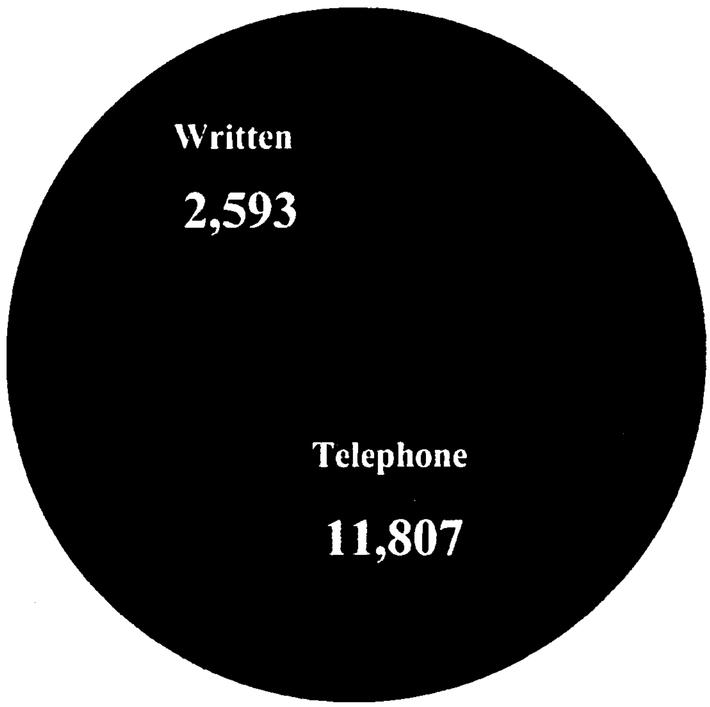
Note: In an effort to avoid undue influence in a competitive market, marketer data for this report will not be identified by specific marketer name.

As of May 15, 2002

Customer Choice

Make a Choice. Take Control.

Methods of Enrollment



As of May 15, 2002

Customer Choice
Make a Choice. Take Control.

Total Volumes Purchased From Marketers By Participating Customers (Mcf)

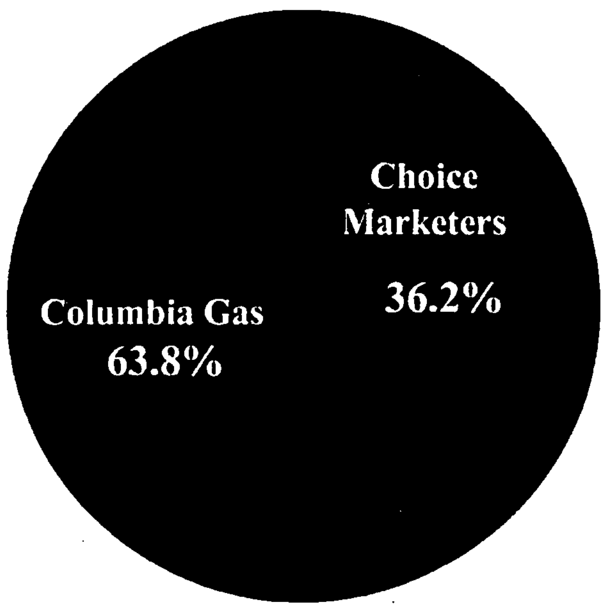
Total = 7,330,996 Mcf Annually

As of May 15, 2002

Customer Choice

Make a Choice. Take Control.

Percentage of Customer Participation By Volume



36.2 percent of total eligible throughput is being supplied by a Choice marketer.

As of May 15, 2002

Certified Marketers

Community Action Council Buyers Club, Inc.
Jim Christian
P.O. Box 11610
Lexington, KY 40576
800-244-2275

Interstate Gas Supply, Inc.
Dave Burig, Customer Choice Program Director
5020 Bradenton Avenue
Dublin, Ohio 43017
800-280-4474

MxEnergy.com, Inc.
Robert Blake
745 West Main Street, Suite 100
Louisville, Kentucky 40202
800-785-4373

Rates Charged by Marketers

The following marketer rates are not identified by marketer name in order to avoid undue influence in a competitive market.

Marketer	Rates as of 6/1/01
A	$3.62 per Mcf
B	10% off Columbia's GCR 12% off Columbia's GCR 5% off Columbia's GCR 2% off Columbia's GCR $5.069 per Mcf $7.65 per Mcf $5.99 per Mcf $7.58 per Mcf $5.49 per Mcf $5.39 per Mcf
C	10% off Columbia's GCR $6.999 per Mcf $5.39 per Mcf $5.05 per Mcf $6.09 per Mcf $8.25 per Mcf $7.99 per Mcf $7.49 per Mcf $6.99 per Mcf $5.99 per Mcf $5.89 per Mcf $5.9488 per Mcf $5.49 per Mcf $6.49 per Mcf

Customer Education

Research conducted in late 2000 indicated strong awareness of the Customer Choice Program among Columbia Gas of Kentucky customers. As a result, the focus of the company's customer education efforts during 2001 shifted to keeping customers informed of specific elements of the Choice Program at their request.

Web Site
Columbia's Web site – www.columbiagasky.com – continues to provide customers with an overview of the Choice Program, answers to frequently asked questions, and contact information, including toll-free phone numbers and Web site links, for participating marketers. A convenient Ask Us form is provided for those customers who have more specific questions regarding the Customer Choice Program.

Customers can use the Columbia Gas of Kentucky Web site to request a speaker to address their organization by completing and submitting an online speaker request form.

Community Presentations
As knowledge of the Customer Choice Program increased, the number of requests for speakers on the subject declined. Columbia representatives appeared at six organizational meetings during 2001, making presentations, answering questions and providing written information about the Choice Program. Columbia continues to provide this service for organizations which request it.

Media Requests
Requests for interviews by print and electronic media were numerous following the announcement of the Customer Choice Program, but as customers became more educated about the program and its newness wore off, media coverage has decreased. However, the Choice Program was the subject of 8 print articles in 2001.

Customer Contact Center Training
Columbia Customer Service Specialists in the Lexington Customer Contact Center are updated regularly on the Customer Choice Program. Specific training was provided to Customer Service Specialists regarding the appearance of the Actual Gas Cost Adjustment on Choice customers' bills.

The Customer Contact Center received 4,439 calls from May 2001 through April 2002 from customers seeking information about the Customer Choice Program.

Stranded Costs

The amount of stranded costs incurred under the program to date; and the amount of revenue, to date, realized from opportunities developed to off-set stranded costs under the program.

Transition Capacity Costs	$9,043,335
Information Technology Costs	$94,145
Education Costs	$232,485
Total	**$9,369,965**

Revenue to Off-Set Stranded Costs

Revenues Generated to Recover Stranded Costs, to date:

Off-System Sales	$3,171,130
Balancing Charge	$2,409,127
Marketer Contribution	$383,683
Capacity Assignment	$1,601,164
Total	**$7,565,104**

Note: Revenue opportunities should exceed stranded costs in the early years of the program but this situation reverses in the later years of the program as stranded costs will then exceed revenue opportunities for two primary reasons. First, transition capacity costs will increase as customer participation increases, increasing stranded costs later in the program. Second, revenue opportunities decrease after the initial years as there will be fewer opportunities to make off-system sales as customer participation increases. This occurs because the size of Columbia's merchant function is decreasing at the same time that its capacity asset portfolio is declining.

Columbia Gas® of Kentucky
A NiSource Company

P.O. Box 14241
2001 Mercer Road
Lexington, KY 40512-4241

(after 4pm)
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JUN 02 2003
PUBLIC SERVICE COMMISSION

June 2, 2003

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits its annual report on its Customer CHOICE^{SM} program. An original and six copies are enclosed.

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

EXHIBIT
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JUN 0 2 2003

PUBLIC SERVICE
COMMISSION

Customer Choice[SM]

Make a Choice. Take Control.

Columbia Gas of Kentucky, Inc.
Customer Choice[SM] Program
Annual Report

June 2, 2003

Customer Choice[SM]

Make a Choice. Take Control.

Columbia Gas of Kentucky, Inc.
Customer Choice[SM] Program Annual Report
Table of Contents

Introduction

Columbia Gas of Kentucky's ("Columbia") application requesting approval of its Customer Choice Program described an annual report to be filed with the Kentucky Public Service Commission ("Commission"). This third annual report will summarize the Program and its progress over the last year. In addition, the report will benchmark the progress of the Program so far against the six stated goals of the Program as listed in Columbia's initial Choice Application.

Columbia identified six primary goals that it believed would be critical to the success of the Program. These goals were used as a guide when developing the details of the Program with the Customer Choice Collaborative and stated clearly in the application to the Commission. The members of the Collaborative are 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, FSG Energy Services, a marketing subsidiary of Wisconsin Public Service Resources Corporation, provided valuable input as well. The stated goals are listed below along with a summary of the progress to date on each.

- The program must provide an opportunity for customers to save money on their gas bills.

At the time of the filing of the first Customer Choice annual report Columbia was extremely pleased with the level of customer savings through the first six months of the Program. Customers had saved a total of $1,458,148 on gas costs from November 2000 through the first six months. To put this into perspective, the typical residential customer using an average of 8 MCF per month throughout the year paid $59.29 per month for natural gas from Columbia. This same customer would have saved more than $71 over a full year if enrolled under the 10% off of Columbia's gas cost offer accepted by most customers. In effect, this customer would have saved enough through the Customer Choice Program to have received more than one month's gas free.

Tight supplies causing higher wholesale natural gas prices combined with record-breaking cold temperatures in December 2001 focused customers on their gas bills, particularly the gas cost portion of the bill. Combined with easy to understand, no-risk offers from marketers such as 10% off of Columbia's gas cost prompted customer enrollments into Choice at a pace far exceeding everyone's expectations. As of May 2002, 50,834 customers representing approximately 36% of eligible customers had enrolled with a marketer. As of May 2003, the latest numbers available, 46,095 customers representing approximately 33% of eligible customers had enrolled with a marketer. This is a decline of 4,739 customers, or 9% of participating customers from May 2002. Clearly, customer enrollments have declined and to a greater extent than was reported last year, interest in the Program has subsided.

During the last year, wholesale prices have again shown their volatility and Columbia's gas costs have steadily increased. At the same time, marketers have offered fixed price rates which generally increased compared to Columbia's cost. In most months, customers had a choice of fixed rates from two marketers. The third marketer was not accepting new customer enrollments for thirteen months until May 2003. For numerous customers, the fixed price rate they paid exceeded Columbia's gas cost. As a result, Choice customers have now paid a total of $3,409,821 more in gas costs than they would have had they been a sales customer of Columbia. This is a grand total from the beginning of the program through March 2003.

Near the end of March 2003, this trend reversed itself and for the months of April and May 2003 most participating customers saved money on their gas bills, a prime goal of the program. The statistics are not yet available however, it is expected that the aggregate savings will not erase the hole that has been dug.

- 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.

Once a marketer is deemed credit-worthy to participate in the Choice Program, Columbia and the marketer execute an aggregation agreement. According to the terms of these aggregation agreements, marketers agree to contract for firm, primary point delivery entitlements on the interstate pipeline. Under the aggregation agreement Columbia has the right and the obligation to contact marketers and ask that they verify their contracts for firm pipeline entitlements.

In early January 2002, Columbia sent letters to the two marketers serving Choice volumes with the marketers' own capacity requesting verification of their firm pipeline contracts. It became apparent that those marketers did not obtain the required firm, primary point delivery entitlements on the interstate pipeline.

The lack of the marketers to provide verification prompted Columbia to seek to amend its tariff for Small Volume Aggregation Service. In Docket No. 2002-00117, Columbia requested that the Commission eliminate the "grandfathering" of Phase I volumes and permit Columbia to require marketers to take mandatory assignment of Columbia's capacity for all Choice volumes. One marketer protested Columbia's proposal and expressed the necessity for balance between Columbia's needs and those of Choice suppliers to capture savings for end-users. Columbia and the marketer entered into a Settlement that was approved by the Commission on January 13, 2003. Marketers now take assignment of minimum levels of Columbia's storage and transportation capacity and undergo a prospective capacity audit applicable to the winter season. If the audit determines that the marketer does not have the required firm pipeline contracts, Columbia can assign capacity to meet the marketer's capacity shortfall and the marketer is required to accept the assignment.

- The program should be revenue neutral for Columbia, and must allow Columbia to recover its stranded costs and incremental program expenses.

  Columbia still believes that this goal is appropriate for the pilot program.

- 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.

Columbia continues to believe that this goal is as appropriate today as it was when the Program was designed and that this goal has been accomplished through the model approved by the Commission.

- 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 the Customer CHOICE Program.

This goal also continues to be as appropriate today as it was when the Program was designed.

- 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.

This goal was also accomplished by the Commission allowing for a customer education period prior to when marketers would be allowed to contact customers and enroll them into the Program.

Customer Choice

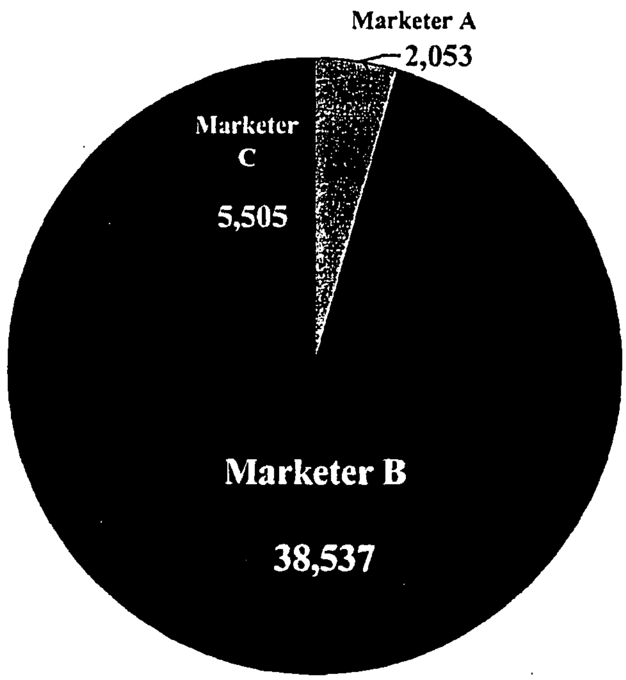
Make a Choice. Take Control.

Residential & Commercial Customer Participation

As of May 15, 2003

Customer Choice
Make a Choice. Take Control.

Marketer Enrollment



Note: In an effort to avoid undue influence in a competitive market, marketer data for this report will not be identified by specific marketer name.

As of May 15, 2003

Customer Choice

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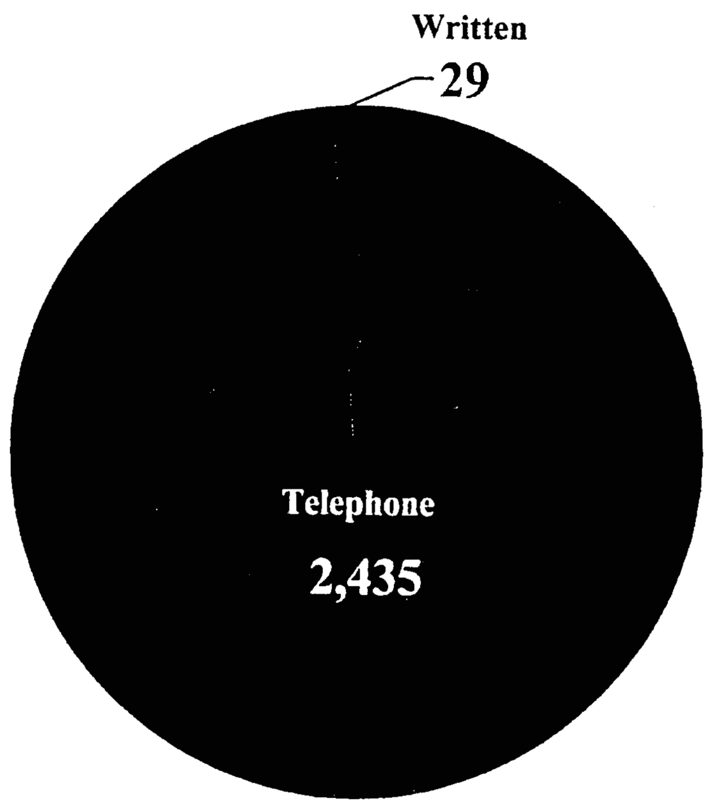
Methods of Enrollment



As of May 15, 2003

Customer Choice

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Total Volumes Purchased From Marketers By Participating Customers (Mcf)

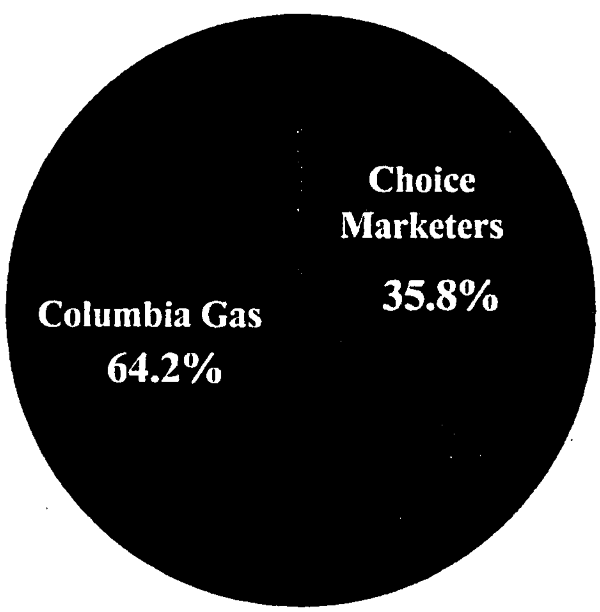
Total = 6,791,129 Mcf Annually

As of May 30, 2003

Customer Choice

Make a Choice. Take Control.

Percentage of Customer Participation By Volume



35.8 percent of total eligible throughput is being supplied by a Choice marketer.

As of May 15, 2003

Certified Marketers

Community Action Council Buyers Club, Inc.
Jim Christian
P.O. Box 11610
Lexington, KY 40576
800-244-2275

Interstate Gas Supply, Inc.
Dave Burig, Customer Choice Program Director
5020 Bradenton Avenue
Dublin, Ohio 43017
800-280-4474

MxEnergy.com, Inc.
Anita Blake
20 Summer Street
Stamford, Connecticut 06901
800-785-4373

Rates Charged by Marketers

The following marketer rates are not identified by marketer name in order to avoid undue influence in a competitive market.

Marketer	Rates as of 5/1/03
A	$8.99 per Mcf
B	5% off Columbia's GCR 2% off Columbia's GCR $7.89 per Mcf $6.8960 per Mcf $6.3830 per Mcf $5.99 per Mcf $7.99 per Mcf $5.39 per Mcf $6.4380 per Mcf $6.9830 per Mcf $6.4830 per Mcf
C	$6.999 per Mcf $5.39 per Mcf $5.05 per Mcf $6.09 per Mcf $7.99 per Mcf $6.99 per Mcf $5.99 per Mcf $10.3190 per Mcf $5.89 per Mcf $5.49 per Mcf $6.49 per Mcf

Customer Education

Research conducted in late 2000 indicated strong awareness of the Customer Choice Program among Columbia Gas of Kentucky customers. As a result, the focus of the company's customer education efforts during 2001 and 2002 shifted to keeping customers informed of specific elements of the Choice Program at their request.

Web Site

Columbia's Web site – www.columbiagasky.com – continues to provide customers with an overview of the Choice Program, answers to frequently asked questions, and contact information, including toll-free phone numbers and Web site links, for participating marketers. A convenient Ask Us form is provided for those customers who have more specific questions regarding the Customer Choice Program.

Customers can use the Columbia Gas of Kentucky Web site to request a speaker to address their organization by completing and submitting an online speaker request form.

Community Presentations

As knowledge of the Customer Choice Program increased, the number of requests for speakers on the subject declined. Columbia representatives remain available to make presentations, answer questions and providing information about the Choice Program. Columbia continues to provide this service for organizations who request it.

Media Requests

Requests for interviews by print and electronic media were numerous following the announcement of the Customer Choice Program, but as customers became more educated about the program and its newness wore off, media coverage has decreased. However, the Choice Program was the subject of 2 print articles in 2002.

Customer Contact Center Training

Columbia Customer Service Specialists in the Lexington Customer Contact Center are updated regularly on the Customer Choice Program. The Customer Contact Center received 2,075 calls from May 2002 through April 2003 from customers seeking information about the Customer Choice Program.

Stranded Costs

The amount of stranded costs incurred under the program to date; and the amount of revenue, to date, realized from opportunities developed to off-set stranded costs under the program.

Transition Capacity Costs	$17,617,074
Information Technology Costs	$94,208
Education Costs	$232,485
Total	**$17,943,767**

Revenue to Off-Set Stranded Costs

Revenues Generated to Recover Stranded Costs, to date:

Off-System Sales	$6,829,741
Balancing Charge	$2,637,822
Marketer Contribution	$757,894
Capacity Assignment	$9,391,126
Total	**$19,616,583**

Note: It was expected that revenue opportunities should exceed stranded costs in the early years of the program but reverse in the later years of the program for two primary reasons. First, transition capacity costs will increase as customer participation increases. Customer participation increased greater initially that expected resulting in greater stranded cost initially than expected. Second, revenue opportunities decrease with greater customer participation as there are fewer opportunities to make off-system sales. This occurs because the size of Columbia's merchant function is reduced at the same time that its capacity asset portfolio has declined.

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JUL 24 2003
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. 1999-00165

INTERSTATE GAS SUPPLY, INC.'S RESPONSES TO FIRST DATA REQUEST OF COMMISSION STAFF

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(614) 221-4012 (facsimile)

COMMONWEALTH OF KENTUCKY

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JUL 24 2003

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 ITS GAS COST INCENTIVE MECHANISMS, AND TO CONTINUE ITS CUSTOMER ASSISTANCE PROGRAM	)	CASE NO. 1999-00165

INTERSTATE GAS SUPPLY, INC.'S RESPONSES TO FIRST DATA REQUEST OF COMMISSION STAFF

Interstate Gas Supply, Inc. ("IGS"), pursuant to 807 KAR 5:001, submits its responses to the First Data Request of Commission Staff (Data Requests, "Interrogatories" or "Data Request(s)," IGS's responses, "Response(s)") as follows:

a. The information supplied in these Responses is not based solely upon the knowledge of the executing party, but includes the knowledge of the party's agents, representatives, and attorneys, unless privileged.

b. The word usage and sentence structure is that of the attorneys who in fact prepared these Responses and the language does not purport to be the exact language of the executing party.

c. The Interrogatories have been interpreted and answered in accordance with the Kentucky rules, plain English usage.

d. IGS reserves the right to amend or supplement these answers as new material information is discovered.

GENERAL OBJECTIONS

1. IGS objects to and declines to respond to each and every discovery request to the extent it calls for responses that are not within reasonable bounds, are not relevant to the subject matter involved in the pending action, and in general, call for responses that lie outside the scope of this proceeding, are not relevant to the subject matter of this proceeding, or are not reasonably calculated to lead to the discovery of admissible evidence. *See* Ky. CR 26.02; *see also Carpenter v. Wells*, 358 S.W.2d 524, 526-27 (Ky. 1962).

2. IGS objects to and declines to respond to each and every discovery request to the extent it seeks information that is confidential or privileged by statute or common law, including without limitation, privileged communications between attorney and client, attorney work product, trial preparation materials, mental impressions, conclusions, opinions, or legal theories of an attorney or any other representative of IGS. *See* Ky. CR 26.02; *see also Alexander v. Swearer*, 642 S.W.2d 896, 898 (Ky. 1982).

3. IGS objects to and declines to respond to each and every discovery request to the extent it is vague, ambiguous, or contains terms and/or phrases that are undefined and/or are subject to varying interpretations or meanings, and could, therefore, cause responses to be misleading and/or incorrect. *See* Ky. CR 26.02 and 26.03.

4. IGS objects to and declines to respond to each and every discovery request to the extent that it causes annoyance, embarrassment, oppression, or undue burden or expense. *See* Ky. CR 26.03; *see also Britton v. Garland*, 335 S.W.2d 329, 331 (Ky. 1960).

5. IGS objects to and declines to respond to each and every discovery request to the extent it is abusive or in bad faith. The purpose of discovery is not to explore whether CKY has a cause of action, and such use of discovery is impermissible, inasmuch as discovery must be relevant to the subject matter of the suit. *See* Ky. CR 26.02-.03; *see also Pendleton Brothers Vending, Inc. v. Kentucky*, 758 S.W.2d 24 (Ky. 1988).

6. To the extent the discovery request seeks relevant information which may be derived or ascertained from the business records of IGS or from examination, audit, or inspection of such business records, or from a compilation, abstract, or summary based thereon, and the burden of deriving or ascertaining the answer is substantially the same for CKY, as it is for IGS, then IGS may specify the records from which the answers may be derived or ascertained, and afford CKY a reasonable opportunity to examine, audit, or inspect such records and to make copies, compilations, abstracts, or summaries of the same. *See* Ky. CR 33.03.

7. IGS objects to and declines to respond to each and every discovery request to the extent it calls for information that is not in IGS's current possession, custody, or control. IGS also objects to and declines to respond to each and every discovery request that seeks information already known or readily available by less onerous means, including without limitation, information that is already on file with this Commission and other documents that IGS has filed with this Commission. *See* Ky. CR 26.02, 33.01, 33.03, and 34.01.

8. The production of any documents by IGS does not and shall not constitute any admission concerning any document, their content, or the evidentiary sufficiency of any documents, including without limitation, its authentication, best evidence, relevancy, or hearsay.

9. Columbia Gas of Kentucky, Inc. is referred to as "Columbia" or "CKY."

10. All responses of IGS to the discovery requests are made subject to, and without waiving these objections.

SPECIFIC RESPONSES TO INTERROGATORIES

Data Request No. 1:

Refer to page 6, paragraph 16 of IGS's petition to continue and make permanent the Columbia Gas of Kentucky, Inc. ("Columbia") Choice Program. Explain why IGS believes that there was a presumption, based on the Commission's March 6, 2000 Order in this proceeding, that, at the end of the pilot program, a decision would be made to institute the Choice Program permanently.

Response to No. 1: Provided by Scott White, President, IGS.

On page 6, Paragraph 16, of IGS's petition to the Commission, IGS indicated as follows: "The Commission's March 6, 2000 Order in Case No. 1999-00165 provides for the end of the pilot program on October 31, 2004, when, presumably, a decision would be made to institute the Choice Program as a permanent component of Kentucky's regulatory scheme for natural gas service." As indicated in that Paragraph 16, and more fully discussed in IGS's petition, IGS asserts that the Columbia Choice Program is a success. The CKY Choice Program has satisfied its six stated goals and has robust consumer participation rates, evidencing its success and value to Kentucky consumers. Based on the observation that the Choice Program is a success, as measured by its stated goals and because Kentucky consumers desire it, IGS respectfully submits that it is reasonable for IGS to presume that the Commission would desire to continue the CKY Choice Program. Having approved the pilot Choice Program and set forth certain goals to measure its success, IGS respectfully submits that it is also reasonable for participating suppliers, having committed significant resources to participating in and making the program a success, to have relied on the presumption that the Commission would desire to make permanent a successful pilot program, such as the Columbia Choice Program. Further, evidence from other states and other companies shows a trend toward choice programs and their value to consumers.

Data Request No. 2:

Refer to page 6, paragraphs 16 through 18 of IGS's petition, which refer to customer choice programs available in other states generally, and specifically to Ohio.

a. Given the statutory structure and administrative rules that govern the programs in Ohio, compared to an absence of statutory authority and administrative rules in Kentucky, explain why a comparison of Columbia's pilot program (the only such program in Kentucky) to Ohio (where such programs are available throughout the state) is a valid comparison for purposes of this proceeding.

Response to No 2(a): Objection by Counsel, Response Provided by Scott White, President, IGS.

Objection: See General Objection No. 2, and the question calls for a legal conclusion and presumes a lack of authority. Without waiving such objection, the following response is provided:

Although the State of Ohio has recently legislated (see Sub. H. B. No. 9, 124th General Assembly Regular Session, 2001-2002) and regulated (see Ohio Administrative Code 4901:1-27 to 34) choice programs, the Columbia Gas of Ohio, Inc. ("COH" or "Columbia Ohio") choice program and the Columbia Choice Programs were initiated in similar fashions: by programs designed through collaborative stakeholder input and approved by the respective state

Commissions, prior to legislation or regulation. Accordingly, comparing the Columbia Ohio choice program to the Columbia Choice Program is a valid and reasonable comparison for purposes of this proceeding. As background, the history of the stakeholder implementation of each program is provided below.

In Kentucky, the Commission promoted and encouraged LDCs to unbundle retail rates and services for natural gas in 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.* In that matter, the Commission indicated that any utility proposing a customer choice or rate unbundling program must, among other matters, demonstrate that there had been sufficient input and support from its stakeholders. Accordingly, supported by stakeholder input, Columbia proposed its current Choice Program in this docket, Case No. 1999-00165. The Commission approved the Choice Program, as a pilot program, and retained regulatory oversight over the program by its Order of January 27, 2000.

In approving the Choice Program as proposed by CKY and the collaborative stakeholders, the Commission comported with KRS § 278.030 in allowing CKY to receive a just and reasonable rate for its services in general and relative to the Choice Program, and CKY has collected the same in exchange for its requirement to provide reasonable, efficient, and adequate service, including its services associated with the Choice Program.

Similarly, in Ohio, the Columbia Ohio choice program was implemented and has continued by agreement between Columbia Ohio and a stakeholder group of interested parties (called the "Collaborative"), as summarized below. Since 1994, Columbia and the Collaborative have, through a stakeholder process, arrived at settlements concerning the management and operation of Columbia Ohio's system. Starting in 1994, the Collaborative negotiated a Stipulation that adjusted Columbia Ohio's rates and tariffs, prior to Columbia Ohio's filing of a rate case. The Ohio Commission approved the Stipulation by an Opinion and Order dated September 29, 1994.

In 1996, following discussions with the Collaborative, Columbia Ohio filed an application in Case No. 96-1113-GA-ATA, in which it sought the regulatory approvals necessary to begin implementation of its customer choice program. After the filing of the application in Case No. 96-1113-GA-ATA, the Collaborative continued to discuss and refine the Columbia Ohio choice program. From these discussions, an amended application was filed in Case No. 96-1113-GA-ATA, on January 3, 1997. By Opinion and Order issued on January 9, 1997, and an Entry on Rehearing issued on March 6, 1997, the Commission approved the Columbia Ohio choice program, with slight modifications to the applications.

In 1997, the Collaborative agreed on methods of using non-traditional revenue sources, such as off-system sales and capacity releases, to help fund recovery of the stranded transition costs associated with the expansion of the choice program, which was embodied in the Second Amendment to Joint Stipulation and Recommendation, in Case No. 94-987-GA-AIR, and the Joint Stipulation and Recommendation, in Case No. 96-1113-GA-ATA ("1997 Stipulation"), filed on November 28, 1997, and approved by the Ohio Commission by Entry dated January 7, 1998.

During 1998, Columbia Ohio and the Collaborative agreed on an application to seek the Ohio Commission's approval to expand the choice program statewide. This resulted in an Application that received the Ohio Commission's approval by a Finding and Order dated June 18, 1998, by which the Ohio Commission authorized statewide expansion of the choice program for a four-year period. On June 8, 1999, a stipulation and recommendation was filed in Columbia Ohio's 1998 GCR Case, Case No. 98-222-GA-GCR. That stipulation also recommended several revisions to the choice program funding mechanism, subject to the Collaborative's concurrence. The Collaborative reviewed the matters referred to it by Columbia Ohio, and it recommended revisions to the original stipulation in Case No. 98-222-GA-GCR, which revisions were incorporated into the 1999 Stipulation, which is described below.

The 1997 Stipulation and the accompanying March 31, 1998, application expressly contemplated additional Collaborative consideration of the choice program, and Collaborative discussions during 1999 focused on continuation of the choice program beyond the four-year term, among other matters. These discussions resulted in a Collaborative agreement embodied in the Third Amendment to Joint Stipulation and Recommendation in Case No. 94-987-GA-AIR, and Amendment to Joint Stipulation and Recommendation, in Case No. 96-1113-GA-ATA ("1999 Stipulation"), filed on October 25, 1999. The Ohio Commission approved the 1999 Stipulation by an Entry dated December 2, 1999. The terms of the 1999 Stipulation are effective through October 31, 2004. That date was selected because it coincides with the expiration date of the majority of Columbia's capacity contracts with interstate pipeline suppliers. Discussions with the Collaborative concerning the operation of the choice program are currently underway.

Accordingly, based on the history of the CKY and Columbia Ohio choice programs, provided above, it is clear that both programs were implemented through a stakeholder agreement that was approved by each State's Commission. Accordingly, comparing the Columbia Ohio choice program to the CKY Choice Program is a valid and reasonable comparison for purposes of this proceeding.

b. Many states have restructured or deregulated their utility industries to make choice programs/unbundled rates available to consumers of gas or electricity. However, for various reasons, Kentucky has chosen not to restructure and unbundle the rates of its electric utilities to make multiple suppliers available to consumers. Likewise, other than approving Columbia's pilot Choice Program, Kentucky has not attempted to unbundle natural gas rates to make multiple suppliers available to consumers. Explain why IGS believes the practices in place in other states should be considered by the Commission in this proceeding.

Response to No 2(b): Provided by Scott White, President, IGS.

First, IGS believes that the introduction of choice in the provision of gas commodity services is good for consumers and the industry, and experiences in other states support this view. Referring to Data Request No 2(a), and IGS's response thereto, above, in comparing the CKY Choice Program to COH's choice program, IGS is not suggesting that Kentucky nor the Commission follow the policies of other states. IGS compared the CKY Choice Program to the COH choice program, because, among other reasons: (i) CKY and COH are sister LDCs owned by the same parent company, NiSource, Inc.; (ii) both programs have a similar genesis, in that each was implemented through a "collaborative" process settlement between the companies, and approved by each State's Commission; (iii) the CKY Choice Program and COH choice program each have many abundantly similar, substantive tariff provisions and operational requirements, which is not surprising inasmuch as the COH program served as a model for the CKY program; (iv) both contain company-proposed off-system-sales revenue sharing provisions to manage stranded costs; and (v) IGS understands that both companies apparently rely on certain common personnel for operational and gas supply transactional purposes, indeed both share the same counsel. Given the significant similarities in the methodology and operations of the two programs by these sister LDCs, IGS respectfully submits that it is reasonable for the Commission to compare the CKY and COH programs for purposes of this proceeding, without regard to the respective policies, statutes, and policies in the respective States.

Given these substantive similarities, IGS is at a loss to understand why, given the success of the CKY Choice Program, the savings that consumers have captured, and the present over-funding of stranded costs, that CKY desires to terminate its program and deny Kentucky consumers the value-added benefits of the Choice Program—while its affiliate, COH is continuing to promote its choice program as a means for its Ohio consumers to have choices of suppliers and the opportunity to capture savings, among other benefits. Indeed, COH touts the success of its choice program, as set forth in Attachment A hereto, which indicates, for example, residential participation rates of 43%, commercial participation rates of 46%, and savings of $149 million. Hence, given the success of the CKY Choice Program, IGS respectfully submits that, instead of terminating the same, it is entirely possible to operate the CKY Choice Program to achieve success similar to the COH choice program, to provide CKY consumers with the opportunity for comparable benefits.

Data Request No. 3

Refer to page 10, paragraph 29 of IGS's petition, and the description of the savings IGS's customers have realized under the Choice Program, specifically, the statement "Through June 2002, IGS saved its customers approximately $1,605,069.81, with savings balanced by a high of $2,936,555.20 for certain rate products and negative savings of $803,390.00 for another rate product."

a. Explain how, or whether, the first amount, $1.6 million, is derived from or related to, the second and third amounts of $2.9 million and $800,000, respectively.

Response to No 3(a): Provided by Scott White, President, IGS.

Generally, in determining the above-calculated aggregate savings of $1,605,069.81, the calculated savings ranged from $2,936,555.20 in savings for certain rate products, to negative savings of $803,390.22 for other rate products. This range in savings reflects the volatility in gas commodity prices relative to savings associated with fixed or guaranteed percentage-savings discounts relative to CKY's GCR. These savings were calculated at the time of the mandatory capacity assignment case, and as part of this discovery, IGS has a more detailed savings calculation and input data, discussed in Response to No. 3(d). See Response to No. 3(d)

b. Provide all calculations, workpapers, spreadsheets, etc. necessary to show the derivation of each of these amounts, plus a narrative description of all the calculations, workpapers, spreadsheets, etc.

Response to No 3(b): Provided by Scott White, President, IGS.

Please see Attachment B hereto, and see Response to Nos. 3(a) and 3(d).

c. Identify all the different rate products referenced in the statement that begins, "Through June 2000 . . .." Describe how IGS has marketed its different rate products to customers during the time it has participated in Columbia's Choice Program.

Response to No 3(c): Provided by Scott White, President, IGS.

Through that period to March 2002, IGS marketed a total of eight different rate products, falling into three broad categories, consisting of the guaranteed savings products, fixed price products, and a monthly variable product. Customers purchased gas under three (3) guaranteed savings rates and four (4) fixed price rates. The third category of rate product, the monthly variable rate, is based on the NYMEX cost of gas, with a fixed adder. IGS did not actively market this NYMEX-based rate product, and created it only in response to a customer's request, because that customer's other facilities located across the country purchased their gas in such a manner.

Generally, the guaranteed savings programs offer a percentage discount off CKY's gas cost, with discount savings percentages ranging from 5% to 12% off CKY's gas cost. The breakdown of these customers is as follows:

- 5% discount - 2488 customers
- 10% discount - 2829 customers
- 12% discount - 3 customers

Over time, the fixed price programs offered fixed prices ranging from $5.39 to $7.65 per Mcf. The breakdown of these customers is as follows:

- $5.39/MCF - 6927 customers
- $5.49/MCF - 10001 customers
- $5.99/MCF - 19839 customers
- $7.65/MCF - 20 customers

The NYMEX-based product was a monthly variable rate, based on the previous month's closing price, plus $1.75 per Mcf. Five (5) customers were on this rate.

IGS marketed its products to CKY Choice Program customers in a number of different ways; however, primarily using direct mail. IGS designs its direct mail pieces to be educational, generally, to supplement CKY educational materials and efforts. These direct mail pieces explained the fundamentals of deregulation, answered frequently asked questions about the newly unbundled marketplace, and illustrated what the customer's bill would look like after they switched to purchasing their natural gas from IGS. *See* samples of IGS' direct mail marketing materials, attached hereto as Attachment C. IGS' direct mail materials allowed consumers to contact IGS in three (3) different ways, consisting of: (1) mailing in a postage-paid business reply card that was part of the direct mail materials, (2) calling into a 24-hour enrollment center, or (3) enrolling online at IGS' website.

Customers were also contacted by outbound telephone solicitations, usually following a direct mailing campaign. This approach proved its effectiveness, as customers could ask additional questions about IGS or deregulation in general, and potentially enroll over the phone. IGS also purchased newspaper, television, and radio advertising in the greater Lexington market to familiarize customers with IGS' name and products. In addition to media purchases, in Fall 2000, an IGS representative participated in a public access television forum about the CKY Choice Program, which aired numerous times in the Lexington market.

Lastly, as of January 2002, IGS served approximately 44,000 Choice Program customers. By April 2003, the number of IGS's customers had dropped to approximately 37,800. This drop occurred because IGS discontinued its active solicitation and marketing efforts, to mitigate associated expenditures, pending resolution of CKY's restrictive mandatory capacity assignment filing. IGS ceased its marketing efforts around March 2002, to until approximately May 2003, when IGS reinitiated its marketing efforts—IGS did not accept any new enrollments associated with active marketing and solicitation activities. During the period of cessation of IGS's marketing activities, however, IGS continued to accept customer renewals, renewals due to relocations of existing customers within CKY's service area, and unsolicited enrollment requests from word-of-mouth recommendations of IGS.

From approximately May 1, 2003, to June 12, 2003, IGS offered prospective customers the opportunity to enroll in the Choice Program under the following two offers: (1) A guaranteed savings program with a 5% discount off CKY's Expected Gas Cost (EGC), through March 2004, and (2) A fixed price of $7.89 per Mcf through March 2004. See Attachment C-4 hereto.

d. The paragraph also indicates that IGS estimates it has provided its customers with savings of $2.7 million through April 2003. Provide all the calculations, workpapers, spreadsheets, etc. necessary to show the derivation of this amount. Include a narrative description of all the calculations, workpapers, spreadsheets, etc.

Response to No 3(d): Provided by Scott White, President, IGS.

The calculations referencing the $2.7 million savings are attached hereto as Attachment D, also attached, as Attachment E, is IGS's revised savings calculations spreadsheet, which uses a more detailed calculation methodology, revising the savings to approximately $3.1 million through May 2003. The process used to analyze the saving in the spreadsheets consists of taking the total sales dollars and total sales units (obtained from CKY's monthly remittance statements) to determine IGS's average price per Mcf, which price is compared to CKY's applicable rate (either the EGC or the GCR), to determine the savings per Mcf, which savings times the customer volumes over that period, results in the total savings figure.

The applicable comparison unit, whether the ECG or GCR, depends on the length of the customer's participation in the program. A migrating customer is responsible for any prior period gas cost adjustments, whether credits or debits. Customers in the first 12-months on the program, and that received the gas cost adjustments, are compared to the EGC, but after the initial 12 months their comparison unit is the GCR. Note, through August 2001, CKY did not pass through these adjustments, and therefore, the applicable comparison unit for all customers over this period was the GCR, not the EGC.

IGS's revised savings calculation uses more specific data. For the original $2.7 million savings estimate, IGS used a ratio of the aggregate number of customers to estimate the percentage of usage for comparison against the EGC versus the GCR. For the revised $3.1 million savings calculation, IGS, using CKY's monthly DET files, identified the actual customers who had been enrolled in the program for 12 months or more, and used their actual consumption to determine the gas volumes to be compared to the EGC.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Interstate Gas Supply, Inc.'s Responses to First Data Request of Commission Staff was mailed, postage prepaid to the below listed persons on July 24, 2003.

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Columbia Gas of Ohio

A NiSource Company

Status of Customer CHOICE℠
Residential and Small Commercial Transportation Program
June 2003 Stats

Summary: 629,056 Columbia Gas of Ohio (COH) residential, small commercial, and industrial customers, 47 percent of those eligible, participate in the COH Customer CHOICE℠ Program. Included in that number is 48,413 low-income PIPP (Percentage of Income Plan) customers, who also save as a result of the program. Eighteen marketers have received approval to participate in the program; 18 are actively flowing gas to customers. The program is the largest in the nation in terms of customer and marketer participation. Columbia has received very positive local, state and national recognition for its innovative program.

Program Status:

- Gas began flowing April 1, 1997 in the Toledo area
- Program expanded to all customers August 1, 1998
- Customers have saved over $149 million by participating in CHOICE® through April 2003, including approximately $19.8 million for PIPP customers; residential customers saved an average of 10% of the gas commodity portion of their bill
- 18 approved marketers are flowing gas, 13 are actively enrolling customers, and 7 of those marketers are listed on the PUCO Apples-to-Apples comparison chart

Customer Totals:

- 531,254 residential customers, 43% of those eligible without PIPP
- 49,261 commercial customers, 46% of those eligible
- 128 industrial customers, 12% of those eligible
- Approximately 48,413 low-income customers participate in the program statewide through a special PIPP aggregation group, which is awarded to one marketer through a bidding procedure

Key Program Features:

- All 1.3 million residential, small commercial and industrial customers in Columbia's service territory are eligible to participate, with no maximum limit
- Marketers have the option of storage and capacity assignment
- Continuous sign-up period
- Marketers may choose to bill through Columbia's bill (customer receives on bill), may bill for gas separately (customer receives two bills), or may bill both Columbia's charges and their own (customer receives a total bill payable to the marketer and a memo bill from Columbia)
- Columbia commitment to educating customers and publicizing program
- Customers may enroll using a written contract, over the telephone or via the Internet

For more information on Columbia Gas of Ohio Customer CHOICE℠ Program contact:

Heather Bauer — Director, Gas Transportation — 614/460-5554
Carol Fox — Vice-President, Energy Supply Service — 614/460-5553

UPDATED June 5, 2003

Customer Choice

Make a Choice. Take Control.

EXHIBIT

A

	KY EGC	IGS Price 1 10%	Volume	Savings	IGS Price 2 12%	Volume	Savings	IGS Price 3 NY +1.75	Volume	Savings	IGS Price 4 7.65	Volume	Savings	IGS Price 5 5.99	Volume	Savings	IGS Price 6 5.49	Volume	Savings	IGS Price 7 5.39	Volume	Savings	Price 8 5%	Volume	Savings
Nov-00	6.838	6.154	324549.5	$ 221,933.44				0.000	2762.5	$ 18,890.53															
Dec-00	7.671	6.804	477026.6	$ 365,908.02	6.750	120.3	$ 110.73	0.000	5691.1	$ 43,654.15															
2001																									
Jan	7.671	6.904	375598.1	$ 288,104.74	6.750	91.7	$ 84.41	0.000	3401.9	$ 28,094.61															
Feb	7.671	6.904	502152.7	$ 385,181.25	6.750	84.1	$ 77.41	0.000	2977.9	$ 22,842.28															
Mar	8.898	8.001	434358.7	$ 389,793.50	7.830	53.6	$ 57.23	0.000	1550.5	$ 13,796.68															
April	8.352	7.517	203279	$ 169,778.62	7.350	18.1	$ 16.14	0.000	120.2	$ 1,003.90	7.65	465.6	$ 328.80												
May	8.940	8.046	136312	$ 121,865.65	7.867	12	$ 12.87	0.000	88.2	$ 788.53	7.65	901.8	$ 1,163.50												
June	8.930	8.037	122353.4	$ 109,261.59	7.858	50.9	$ 54.54	6.641	3.5	$ 8.01	7.65	8740.9	$ 11,186.60												
July	7.834	7.051	116538.8	$ 91,296.50	6.894	47.9	$ 45.03	5.488	2	$ 4.69	7.65	10309	$ 1,899.95												
Aug	5.699	5.129	116187.8	$ 66,215.43	5.015	53.7	$ 38.72	4.932	0.2	$ 0.15	7.65	10452.9	$ (20,393.61)	5.99	265	$ (77.12)									
Sep	6.356	5.720	101246.5	$ 84,348.23	5.593	59.8	$ 45.68	4.917	840.7	$ 821.71	7.65	17205.3	$ (22,270.54)	5.99	93698.5	$ 34,258.17									
Oct	6.356	5.720	177452.8	$ 112,781.97	5.593	84.0	$ 64.06	4.045	1285.7	$ 2,824.53	7.65	27317.3	$ (35,359.51)	5.99	155600.7	$ 56,887.62	5.49	2823.1	$ 2,443.68	5.39	2634.1	$ 2,543.49			
Nov	6.356	5.720	67003.4	$ 42,584.68	5.593	28.3	$ 20.06				7.65	24567.1	$ (31,799.65)	5.99	160587.7	$ 58,710.86	5.49	3885.9	$ 3,363.64	5.39	6812.2	$ 6,577.86			
Dec	5.084	4.576	78753.2	$ 40,038.13	4.474	629	$ 383.75				7.65	32810.7	$ (84,188.98)	5.99	219830.5	$ (199,144.45)	5.49	7163.1	$ (2,907.50)	5.39	37903.4	$ (11,594.65)	4.830	6.5	$ 1.65
2002																									
Jan	5.084	4.576	103084.8	$ 52,408.31	4.474	346.7	$ 211.52				7.65	74921	$(192,239.79)	5.99	412797.4	$ (373,953.16)	5.49	16127.2	$ (8,546.03)	5.39	147845.7	$ (45,226.00)	4.830	12043.0	$ 3,062.53
Feb	5.084	4.576	57516.6	$ 29,241.44	4.474	286.6	$ 174.85				7.65	50325.6	$(129,130.46)	5.99	168761.5	$ (152,881.04)	5.49	10748.4	$ (4,362.78)	5.39	106894.3	$ (32,698.97)	4.830	15520.0	$ 3,946.74
March	4.258	3.832	43462.9	$ 18,506.50	3.747	295.9	$ 151.20				7.65	47169.7	$(159,990.19)	5.99	76818.0	$ (133,029.95)	5.49	9433.5	$ (11,620.19)	5.39	97051.1	$(109,842.43)	4.405	2290.6	$ (335.18)
April	4.258	3.832	34990	$ 14,898.74	3.747	261.9	$ 133.83				7.65	30728.4	$(104,224.59)	5.99	45307.0	$ (78,462.66)	5.49	7200.2	$ (8,869.21)	5.39	51873.5	$ (56,710.43)	4.405	1635.5	$ (239.32)
May	4.258	3.832	15820.2	$ 8,736.24	3.747	787.0	$ 402.14				7.65	1944.3	$ (8,594.68)	5.99	19912.5	$ (34,484.47)	5.49	2856.8	$ (3,519.01)	5.39	18406.5	$ (20,832.48)	4.405	799.0	$ (116.92)
June	4.850	4.365	10695.0	$ 5,188.54	4.268	1282.3	$ 746.22				7.65	290.4	$ (813.27)	5.99	11807.6	$ (13,468.57)	5.49	987.1	$ (632.24)	5.39	14888.1	$ (8,047.02)	4.607	477.9	$ 115.88
July																									
Aug																									
Sep																									
Oct																									
Nov																									
Dec																									
Jan																									
Total Savings(EGC)				$2,598,069.52			$2,828.40			$130,929.75			$(772,428.40)			$ (835,644.77)			$ (32,649.63)	Total Saving		$(277,830.63)	Total Savi		$ 6,435.38

KY AGC		IGS Price 1 10%	Volume	Savings	IGS Price 2 12%	Volume	Savings	IGS Price 3 NY +1.75	Volume	Savings	IGS Price 4 7.65	Volume	Savings	IGS Price 5 5.99	Volume	Savings	IGS Price 6 5.49	Volume	Savings	IGS Price 7 5.39	Volume	Savings	IGS Price 8 5%	Volume	Savings
	Nov-00																								
	Dec-00																								
	2001																								
	Jan																								
	Feb																								
	Mar																								
	April																								
	May																								
	June																								
	July																								
	Aug																								
7.40560	Sep																								
7.40560	Oct																								
7.40560	Nov	5.720	92121.4	$ 155,276.15	5.593	53.3	$ 96.62	3.580	1137.7	$ 4,352.39	7.65	176.4	$ (43.11)	5.99	873.3	$ 1,377.80	5.49	16107.8	$ 30,858.10	5.39	151.3	$ 304.96			
6.13410	Dec	4.576	14437.7	$ 22,499.71	4.474	16.8	$ 27.89	4.952	1775.7	$ 2,099.05	7.65	201.6	$ (305.61)	5.99	1356.7	$ 195.50	5.49	131511.0	$ 84,706.24	5.39	1080.1	$ 803.70			
	2002																		$ -						
6.13410	Jan	4.576	41878.2	$ 65,262.99	4.474	498.4	$ 827.39	4.068	2880.0	$ 5,958.13	7.65	85.0	$ (128.85)	5.99	2559.7	$ 368.85	5.49	286240	$ 184,366.86	5.39	27833.1	$ 20,710.61	4.82980	2448.6	$ 3,193.71
6.13410	Feb	4.578	21571.2	$ 33,616.58	4.474	429.9	$ 713.67	4.305	2723	$ 4,980.64	7.65	137.0	$ (207.68)	5.99	141053.8	$ 20,325.65	5.49	217127.0	$ 139,851.50	5.39	23832.6	$ 17,733.84	4.82980	28380.7	$ 37,016.95
5.43820	March	3.832	19421.8	$ 31,187.53	3.747	391.0	$ 661.17	3.758	2769.8	$ 4,659.36	7.65	355.8	$ (786.96)	5.99	210047.7	$ (115,804.32)	5.49	199667.8	$ (10,342.78)	5.39	23057.5	$ 1,111.37	4.40453	46735.2	$ 48,308.77
5.43820	April	3.832	8372.4	$ 13,444.40	3.747	346.7	$ 588.26	4.138	1489.4	$ 1,936.52	7.65	765.8	$ (1,693.80)	5.99	167776.0	$ (92,578.80)	5.49	149163.4	$ (7,728.66)	5.39	38027.3	$ 1,832.92	4.40453	37431.7	$ 38,692.03
5.43820	May	3.832	9261.5	$ 14,872.12	3.747	384.2	$ 649.67	5.222	416.2	$ 89.98	7.65	11817.6	$ (28,138.17)	5.99	75283.8	$ (41,541.60)	5.49	66377.6	$ (3,438.36)	5.39	21351.3	$ 1,029.13	4.40453	18785.8	$ 19,418.32
6.03530	June	4.365	2589.4	$ 4,326.24	4.268	338.1	$ 597.67	5.069	158.3	$ 151.03	7.65	1026.6	$ (1,657.65)	5.99	62706.1	$ 2,840.59	5.49	47919.1	$ 26,130.29	5.39	13833.7	$ 8,926.89	4.60703	21621.0	$ 30,880.63
	July																								
	Aug																								
	Sep																								
	Oct																								
	Nov																								
	Dec																								
	Jan																								
Total Savings ACA				$ 340,485.69			$4,160.35			$ 24,225.10			$ (30,961.82)			$ (224,916.12)			$ 444,403.18			$ 52,453.42			$177,510.40
Total Savings(EGC)				$2,598,069.52			$2,828.40			$130,929.75			$(772,428.40)			$ (835,644.77)			$ (32,649.63)			$(277,830.63)			$ 6,435.38
Total Savings(AGC)				$ 340,485.69			$4,160.35			$ 24,225.10			$ (30,961.82)			$ (224,916.12)			$ 444,403.18			$ 52,453.42			$177,510.40
Grand Total per Rate				$2,938,555.20			$6,988.75			$155,154.85			$(803,390.22)			$(1,060,560.89)			$ 411,753.55			$(225,377.21)			$183,945.78
Total Savings				$1,605,069.81																					

tabbies

EXHIBIT

B

Natural Gas Prices Have Never Been Higher.

Lock in your savings now.

Guaranteed Savings on Natural Gas From IGS

IGS

INTERSTATE GAS SUPPLY

Homes are warming up to us.

Important facts about IGS and the Customer Choice Program.

You may have never heard of **IGS** But we're one of the largest natural gas suppliers on the Columbia System. For more than a decade, we've been supplying natural gas to some of the largest manufacturers, hospitals, colleges, and municipalities in the region. We also supply more than 100,000 families with their natural gas in other Columbia Gas markets.

Your Satisfaction is Guaranteed. You'll Save 10% on your gas cost.

- No Connection Charge
- No Interruption of Your Gas Service
- Budget and Automatic Withdrawl Plans Will Continue

Columbia Gas Will Still:

- Read Your Meter
- Send You One Monthly Bill
- Deliver Your Gas
- Respond to Your Service Calls

Who has already chosen IGS?

IGS

INTERSTATE GAS SUPPLY

Homes are warming up to us.

Goodwill Industries
Carhartt, Inc.
McDonald's
Housing Authority of Georgetown...
and thousands of Kentucky families

Certified Energy Marketer

EXHIBIT

tabbies

C-1

Why choose IGS ?

You've heard the news—natural gas prices are at an all-time high. Now is the time to take advantage of Columbia Gas of Kentucky's Customer Choice® Program by choosing IGS for *guaranteed savings*.

- **No enrollment fees or monthly charges.**
- **3 easy ways to enroll-mail, phone and online.**
- **Your savings are guaranteed every month.**

IGS offers convenient single billing through Columbia Gas of Kentucky.

Sample Bill

Columbia Gas of Kentucky

Your Account Number
00000000 000 000 0

Billing Summary For : YOUR NAME
YOUR ADDRESS
YOUR CITY STATE ZIP CODE

01 09 G 3090

Utility Services

Prior billing Information		
Account Balance on Last Bill	$23.04	
Payments Received as of 09-22-2000	$23.04	
Previous Balance at Billing		$0.00
Current Charges for Residential Service		
Minimum Monthly Charge	$14.06	
Gas Delivery Charge	$35.11	
Gas Supply Cost - Interstate Gas Supply 3.1 MCF at $6.54 per MCF	$19.08	
School Tax	$1.14	
Customer Assistance Program Surcharge	$.06	
Current Month Charges		$32.96
	$32.96	

Your new lower gas costs here.

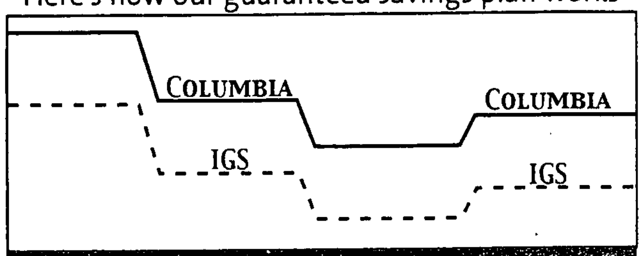
The above sample is what your bill will look like after choosing IGS.
The above bill is a sample only. Actual dollar amounts will vary depending on your gas usage.

Note: all local taxes and fees currently applied to your gas bill will still apply after choosing IGS.

SATISFACTION GUARANTEED or We'll SWITCH YOU BACK TO COLUMBIA GAS.

Start today with no cost or interruption to your present service.

Here's how our guaranteed savings plan works



Lock in your savings

The price you pay to Columbia Gas changes every three months as the cost of natural gas changes. With the Guaranteed Savings Program from IGS, your price will always be 10% less than Columbia's cost, each and every month.

Columbia Gas wants you to switch!

Columbia Gas only makes money on the delivery of gas to your home or business, not on the sale of the gas itself; therefore they have no incentive to "shop around" for the best price on gas. Because IGS is not a regulated utility company, we can take advantage of lower gas prices that are not available to the utility company, and pass the savings on to our customers.

Three easy ways to start saving

Mail in the postage paid reply card, sign up on our secure website, or call one of our knowledgeable representatives, toll free, 24 hours a day.

Have your account number ready and call to enroll. 7 days a week, 24 hours a day.

toll free 1-877-444-7427

or enroll online at

www.IGSenergy.com.

Mail in this card to start saving right away.

Interstate Gas Supply Customer Consent Form #K10GS

Keep this portion for your records

Terms & Conditions - Form #K10GS

1. The term of this agreement will begin with initial gas deliveries and will continue through September 2001 ("Primary term") & year to year thereafter ("Secondary term(s)") until canceled by written notice 30 days before the end of a primary or secondary term or as otherwise provided by this agreement. Interstate Gas Supply, Inc. (IGS) shall notify the utility within 60 days of receipt and acceptance of the consent form. Due to the volatility of gas prices IGS reserves the exclusive right to change its terms and conditions and therefore to not accept offer #K10GS consent forms at any time. If IGS were to not accept a consent form then the rejected consent form will be sent back to me along with a new consent form with ICS' new terms and conditions.

2. The Choice Program is subject to ongoing Public Service Commission of Kentucky jurisdiction and I understand that if the Choice program is terminated by the Public Service Commission of Kentucky this agreement will be terminated without penalty to me. ICS reserves the right to rescind or re-price this offer due to any regulatory or procedural change that may affect ICS' ability to serve customers under the terms and conditions of this offer.

3. For my convenience I will receive only one bill, which will be issued by Columbia and will contain ICS' gas cost plus sales tax (if applicable) and all of Columbia's transportation charges. If I pay under the check free or budget bill payment plan I understand that this service is available and will remain the same. I agree to continue to pay Columbia for the entire gas bill under Columbia's payment terms and conditions. At any time and from time to time during the term of this agreement IGS may, at its sole option, transfer my service back to Columbia for one or more months and reimburse me for the difference between the utility's rate and the contract price and if ICS does so. ICS may later, at its sole option, transfer my service back to ICS under the Chioce Program for the remainder of my contract term. I will receive reimbursement no later than 90 days after returning to the Choice Program or 90 days after termination of this contract, whichever is earlier.

4. In the event of a billing dispute I should contact Columbia Gas of Kentucky (CKY) at the number listed on their bill for issues regarding volume or metering.

(continued on reverse side)

Columbia Gas Account Number | | | | | | | | | | | | | | 0 0 0 |

Customer Signature (required) ____________

Phone Number ( ) ____________

My price will be 10% less than Columbia's gas cost recovery rate if this card is received on or before 3/10/01. After 3/10/01 my rate will be ICS' then current published fixed rate, which will be confirmed to me in writing.

* If you don't have access to your current Columbia Gas Account Number call Columbia Gas to reference your account at 1-800-432-9345.

By signing and returning this form, I acknowledge that I understand and agree to Interstate Gas Supply, Inc.'s (ICS) Terms and Conditions form #K10GS. I want to participate in the Columbia Gas of Kentucky Customer Choice Program with ICS as my supplier. As my supplier, ICS is entitled to obtain information on my historical and current usage from Columbia Gas of Kentucky.

AUTO ******** MIXED AADC 430
RUSSELL GARNETT
C/O ELANOR BLAKEMAN
1812 S SHERWOOD CIR
VALDOSTA GA 31602-2262

IGS MARKETING MATERIAL
Winter 2000

4. Continued

For other questions about pricing I should contact ICS at 1-800-280-4474. I understand that ICS will use the following dispute resolution procedure about my agreement with ICS: Upon contacting ICS, I will explain my issues to the ICS representative who will attempt to answer my concerns and work out a mutually satisfactory solution. Failing a resolution, the ICS representative will refer my issue(s) to an ICS supervisor who will promptly contact me to discuss/resolve the issue(s). For any problems regarding the CKY Choice program I may also contact the Public Service Commission of Kentucky at 1-800-772-4636. If a dispute cannot be resolved in the above fashion I agree that any legal action involving any and all disputes arising under or relating to this agreement shall be brought in a court of the State of Ohio sitting in Franklin County, Ohio or in the United States District Court for the Southern District of Ohio sitting in Columbus, Ohio. I submit to the personal jurisdiction of such courts and irrevocably waive any and all objections that I now have or might in the future have to any and all such courts as the proper forum for any and all actions arising under or related to this agreement. This agreement shall be interpreted and enforced according to the laws of the State of Ohio, without giving effect to its choice of law principles.

5. Price: **My price will be calculated each month to be 10% less than Columbia's Quarterly Gas Cost Recovery rate (GCR).**

6. I will be responsible for all charges assessed by Columbia for (i) adjustments to Columbia's Expected Gas Cost (ii) transportation of the Gas and other applicable charges by Columbia for delivery of gas & (iii) sales tax at the delivery point (if applicable). ICS may continue my service for secondary terms under a fixed rate per MCF or base my rate using a percentage or dollar amount off of Columbia's cost. ICS will notify me at least 60 days prior to the end of any term of their desire to continue service under this agreement and of any changes to the terms and conditions. If I do not cancel 30 days prior to the end of a primary or secondary term the agreement will continue for a secondary term and will include any of the proposed changes. After the primary term I can terminate this agreement or continue purchasing gas from ICS.

7. This contract is assignable by ICS without my consent and subject only to any regulatory approvals required under the Customer Choice program.

8. I understand that if I move to another address within Columbia's service territory that this agreement will automatically continue at the new location under a new CKY account number. If ICS is unable to automatically enroll me at my new address then upon request I agree to provide them with my new address and account number.

Interstate Gas Supply
5020 Bradenton Ave.
Dublin, OH. 43017
Fax 614.923.0470
Toll Free: 1-877-444-7427
www.IGSenergy.com

Customer Choice is here.
Respond now to
Guarantee your Savings

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IN THE
UNITED STATES

BUSINESS REPLY MAIL
FIRST-CLASS MAIL PERMIT NO. 521 DUBLIN OH
POSTAGE WILL BE PAID BY ADDRESSEE

INTERSTATE GAS SUPPLY INC
5020 BRADENTON AVE
DUBLIN OH 43017-7730

IGS MARKETING MATERIAL
Winter 2000

Homes are warming up to us.

Important facts about IGS and the Customer Choice Program.

You may have never heard of IGS

But we're one of the largest natural gas suppliers on the Columbia System. For more than a decade, we've been supplying natural gas to some of the largest manufacturers, hospitals, colleges, and municipalities in the region. We also supply more than 100,000 families with their natural gas in other Columbia Gas markets.

Your Satisfaction is Guaranteed.

- No Connection Charge
- No Interruption of Your Gas Service
- Budget and Automatic Withdrawl Plans Will Continue

Columbia Gas Will Still:

- Read Your Meter
- Send You One Monthly Bill
- Deliver Your Gas
- Respond to Your Service Calls

Who has already chosen IGS?

IGS
INTERSTATE GAS SUPPLY
Homes are warming up to us.

Goodwill Industries
Carhartt, Inc.
McDonald's
Housing Authority of Georgetown...
and thousands of Kentucky families

Certified Energy Marketer

EXHIBIT
tabbies
C-2

IGS MARKETING MATERIAL
Spring 2001

Why choose IGS?

You've heard the news - natural gas prices are expected to stay high. Now is the time to take advantage of Columbia Gas of Kentucky's Customer Choice® Program by choosing IGS for a great fixed price.

- No enrollment fees or monthly charges.
- 3 easy ways to enroll-mail, phone and online.
- Your low fixed price is locked in for a year.

IGS offers convenient single billing through Columbia Gas of Kentucky.

Sample Bill

Columbia Gas of Kentucky

Your Account Number
00000000 000 000 0

Billing Summary For: SANDY K NUNLEY
1409 BELLEFONTE RD
FLATWOODS KY 41139-1805

01 09 G 3090

Utility Services		
Prior billing Information		
Account Balance on Last Bill	$64.27	
Payments Received as of 03-22-2001	$64.27	
Previous Balance at Billing		$0.00
Current Charges for Residential Service		
Minimum Monthly Charge	$8.10	
Gas Delivery Charge	$6.76	
Gas Supply Cost - Interstate Gas Supply 4.1 MCF at $7.65 per MCF	$31.37	
School Tax	$1.25	
Customer Assistance Program Surcharge	$.06	
Current Month Charges		$47.48

Your new lower gas costs here.

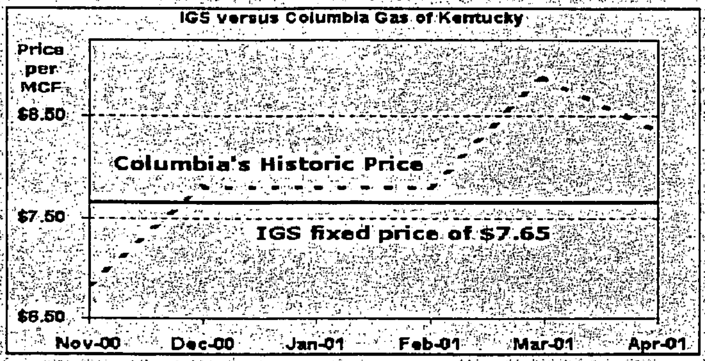
The above sample is what your bill will look like after choosing IGS.

The above bill is a sample only. Actual dollar amounts will vary depending on your gas usage.

Note: all local taxes and fees currently applied to your gas bill will still apply after choosing IGS.

More than 25% of Columbia Gas of Kentucky Customers have already chosen IGS. . .

Why Haven't You?



Lock in a Low Fixed Price

This past winter, natural gas prices hit levels never before seen, at one point natural gas was being bought and sold at more than **four times** what it had been only a year before. Many of our competitors, including some industry giants, couldn't weather the storm. Through it all, IGS continued to supply more than 100,000 families and businesses on the Columbia system with their natural gas. The best part is that every one of our customers saved money.

Now your family or business has the opportunity to secure a fixed gas cost that is well below Columbia of Kentucky's gas cost this past winter. You get protection from future price increases with the most experienced supplier on the Columbia system... **IGS, *Homes are warming up to us!***

Mail in this card to start saving right away.

Have your account number ready and call to enroll, 7 days a week, 24 hours a day.

toll free 1-877-444-7427

or enroll online at

www.IGSenergy.com.

Keep this portion for your records

Terms & Conditions - Form #K765

1. The term of this agreement will begin with initial gas deliveries and will continue for 12 consecutive months ("Primary term") & year to year thereafter ("Secondary term(s)") until canceled by written notice 30 days before the end of a primary or secondary term or as otherwise provided by this agreement. Interstate Gas Supply, Inc. (IGS) will use its best efforts to transfer gas service within 45 days of receipt and acceptance of the consent form. Due to the volatility of gas prices IGS reserves the exclusive right to change its terms and conditions and therefore to not accept offer #K765 consent forms at any time. If IGS were to not accept a consent form then the rejected consent form will be sent back to me along with a new consent form with IGS' new terms and conditions.

2. The Choice Program is subject to on going Public Service Commission of Kentucky jurisdiction and I understand that if the Choice program is terminated by the Public Service Commission of Kentucky this agreement will be terminated without penalty to me. IGS reserves the right to rescind or re-price this offer due to any regulatory or procedural change that may affect IGS' ability to serve customers under the terms and conditions of this offer.

3. Price: My price will be fixed at $7.65 per MCF for one year.

4. For my convenience I will receive only one bill, which will be issued by Columbia Gas of Kentucky (CKY) and will contain IGS' gas cost plus sales tax and all of Columbia's transportation charges. If I pay under the check free or budget bill payment plan I understand that this service is available and will remain the same. I agree to continue to pay CKY for the entire gas bill under Columbia's payment terms and conditions.

(continued on reverse side)

Interstate Gas Supply Customer Consent Form #K765

Columbia Gas Account Number ☐☐☐☐☐☐☐☐☐☐☐☐ 0 0 0 ☐

Customer Signature (required) ________

Phone Number (____) ________

* If you don't have access to your current Columbia Gas Account Number call Columbia Gas to reference your account at 1-800-432-9345.

If you have already enrolled with IGS, please disregard this mailing.

My price will be fixed at $7.65 for one year if this card is received on or before 5/14/01. After 5/14/01 my rate will be IGS' then current published fixed rate, which will be confirmed to me in writing.

By signing and returning this form, I acknowledge that I understand and agree to Interstate Gas Supply, Inc.'s (IGS) Terms and Conditions form #K765. I want to participate in the Columbia Gas of Kentucky Customer Choice Program with IGS as my supplier. As my supplier, IGS is entitled to obtain information on my historical and current usage from Columbia Gas of Kentucky.

************** AUTOCR ** C-002
SANDY K NUNLEY
1409 BELLEFONTE RD
FLATWOODS KY 41139-1805

2108581

5. In the event of a billing dispute I should contact Columbia Gas of Kentucky (CKY) at the number listed on their bill for issues regarding volume or metering. For other questions about pricing I should contact ICS at 1-800-280-4474. I understand that ICS will use the following dispute resolution procedure about my agreement with ICS: Upon contacting ICS, I will explain my issues to the ICS representative who will attempt to answer my concerns and work out a mutually satisfactory solution. Failing a resolution, the ICS representative will refer my issue(s) to an ICS supervisor who will promptly contact me to discuss/resolve the issue(s). For any problems regarding the CKY Choice program I may also contact the Public Service Commission of Kentucky at 1-800-772-4636. If a dispute cannot be resolved in the above fashion I agree that any legal action involving any and all disputes arising under or relating to this agreement shall be brought in a court of the State of Ohio sitting in Franklin County, Ohio or in the United States District Court for the Southern District of Ohio sitting in Columbus, Ohio. I submit to the personal jurisdiction of such courts and irrevocably waive any and all objections that I now have or might in the future have to any and all such courts as the proper forum for any and all actions arising under or related to this agreement. This agreement shall be interpreted and enforced according to the laws of the State of Ohio, without giving effect to its choice of law principles.

6. I will be responsible for all charges assessed by Columbia for (i) adjustments to Columbia's Expected Gas Cost (ii) transportation of the Gas and other applicable charges by Columbia for delivery of gas & (iii) sales tax at the delivery point (if applicable). ICS may continue my service for secondary terms under a fixed rate per MCF or base my rate using a percentage or dollar amount off of Columbia's cost. ICS will notify me at least 60 days prior to the end of any term of their desire to continue service under this agreement and of any changes to the terms and conditions. If I do not cancel 30 days prior to the end of a primary or secondary term the agreement will continue for a secondary term and will include any of the proposed changes. After the primary term I can terminate this agreement or continue purchasing gas from ICS.

7. This contract is assignable by ICS without my consent and subject only to any regulatory approvals required under the Customer Choice program.

8. I understand that if I move to another address within Columbia's service territory that this agreement will automatically continue at the new location under a new CKY account number. If ICS is unable to automatically enroll me at my new address then upon request I agree to provide them with my new address and account number.

Interstate Gas Supply
5020 Bradenton Ave.
Dublin, OH. 43017
Fax 614.923.0470
Toll Free: 1-877-444-7427
www.IGSenergy.com

Natural gas prices
have never been higher.
Lock in your savings now!

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5020 BRADENTON AVE
DUBLIN OH 43017-7730

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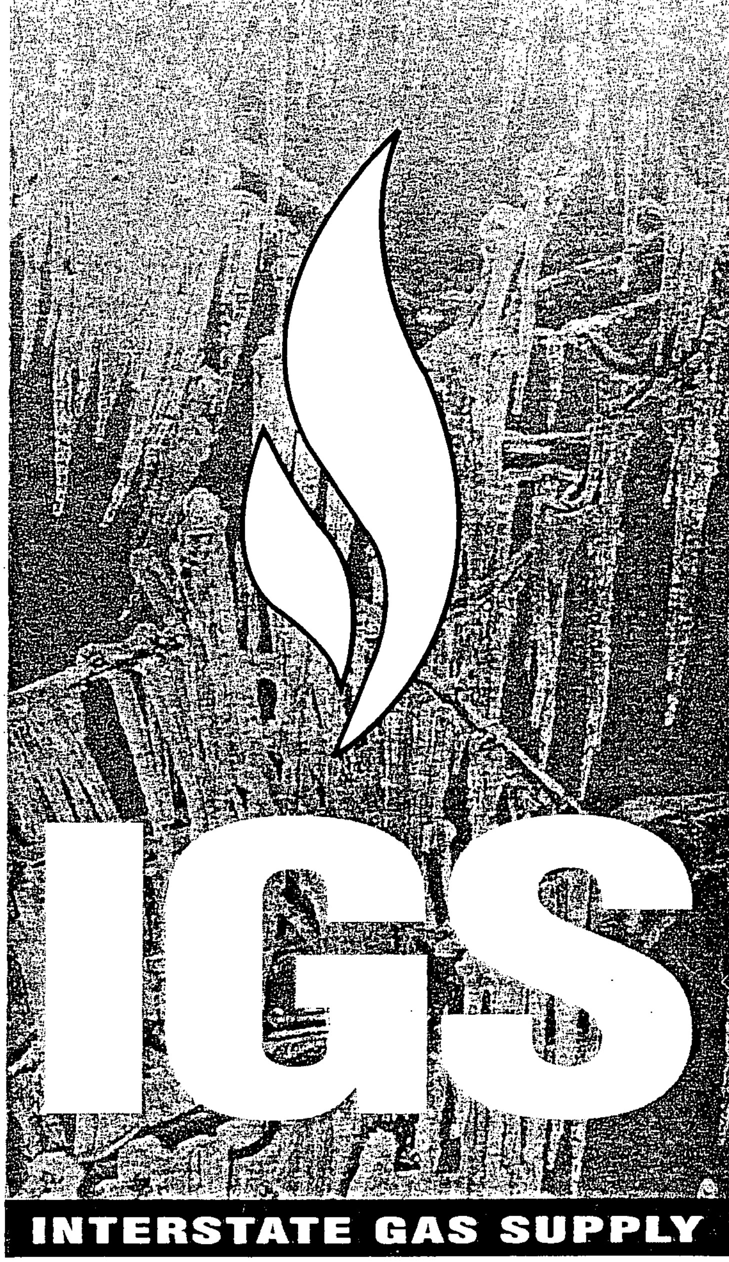
IF MAILED
IN THE
UNITED STATES

IGS MARKETING MATERIAL
Spring 2001

Winter Natural Gas Prices Will be here Soon.

Lock in Your Low Fixed Price Now.



Homes are wa ming up to us.

IGS... The overwhelming choice in natural gas suppliers

By now, you've probably heard about **IGS** and the Columbia Gas of Kentucky Customer Choice program. But did you know that more than 4 out of 5 Columbia customers who have chosen a gas supplier in the Customer Choice program have chosen IGS? In fact, more than 25% of Columbia Gas of Kentucky's customers now get their gas from IGS.* Shouldn't you switch today?

*According to Columbia Gas of Kentucky's Customer Choice Program annual report, published June 2001.

Your Satisfaction is Guaranteed.

- No Connection Charge
- No Interruption of Your Gas Service
- Budget and Automatic Withdrawl Plans Will Continue

Columbia Gas Will Still:

- Read Your Meter
- Send You One Monthly Bill
- Deliver Your Gas
- Respond to Your Service Calls

Who has already chosen IGS?

IGS

Goodwill Industries
Carhartt, Inc.
Lexington County Government
Housing Authority of Georgetown...
and thousands of Kentucky families

EXHIBIT

C-3

IGS MARKETING MATERIAL
Fall 2001

Why choose IGS to supply your natural gas?

Last winter, gas prices rose to their highest point ever. Now is your chance to lock in a low fixed rate through the end of 2002.

- **Nearly 200,000 Columbia customers already trust IGS to supply their gas.**
- **No enrollment fees or monthly charges.**
- **3 easy ways to enroll - mail, phone or online.**

Frequently asked questions about Deregulation and the Columbia Gas of Kentucky Customer Choice program

Will Columbia be upset if I choose another gas supplier?
NO. Since utility companies in Kentucky are not permitted to make money on the sale of natural gas, buying your gas from IGS does not upset or harm Columbia at all.

Is deregulation something new?
NO. Very large natural gas users - such as manufacturers and hospitals have been saving money by purchasing gas from deregulated suppliers for more than 20 years. The Customer Choice program now makes this savings available to Columbia's residential and small business customers.

How will I be billed?
Columbia will still send you one bill - our gas cost will be itemized on your bill, so you can see exactly what you are paying, and budget billing and automatic bill payment will continue.

Who do I call if I smell gas, or need repairs made to my gas lines?
You still call Columbia - just as you always have.

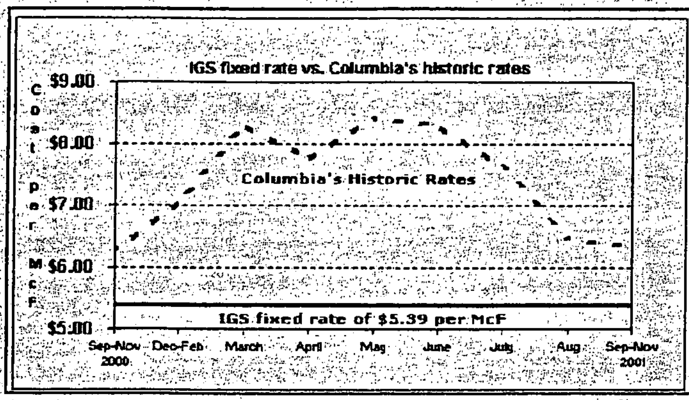
What if I change my mind?
If for any reason in the first 12 months of your agreement you decide that you no longer want to receive your gas from IGS, just let us know in writing, and we'll return you to Columbia.

How is IGS able to sell me gas for less than my utility company?
As a non-regulated company, IGS is able to take advantage of financial markets unavailable to regulated utility companies.

Note: All lo[illegible] taxes and fees currently applied to your gas bill will still appl[illegible] [illegible]ter choosing IGS.

Nearly 200,000 Columbia Gas customers have already chosen IGS...

Why Haven't You?



Lock in a low fixed rate of $5.39 per McF

Remember last winter's gas prices? Now, thanks to deregulation, you can save two ways. By locking in a low fixed gas rate now, your savings start right away - and you are protected from future gas rate increases this heating season and on through 2002.

If you would like to enroll, or to learn more about IGS, call one of our knowledgeable representatives or log on to www.IGSenergy.com. Enroll today with the most experienced gas supplier on the Columbia system. ***IGS, Homes are warming up to us!***

Have your account number ready and call to enroll, 7 days a week, 24 hours a day.

toll free 1-877-444-7427

or enroll online at

www.IGSenerg[illegible]om.

Keep this portion for your records

Terms & Conditions - Form #539 CKY 1202 V2

1. Term: The term of this agreement will begin with initial gas deliveries and will continue through the December 2002 ("Primary term") & year to year thereafter ("Secondary term(s)") until canceled by written notice 30 days before the end of a primary or secondary term or as otherwise provided by this agreement. Interstate Gas Supply, Inc. (IGS) shall notify the utility to transfer gas service within 45 days of receipt and acceptance of the consent form. Due to the volatility of gas prices IGS reserves the exclusive right, at any time prior to acceptance by IGS, to change its terms and conditions and therefore to not accept offer #539 CKY 1202 V2 forms at any time. If IGS were to not accept a consent form then the rejected consent form will be sent back to me along with a new consent form with IGS' new terms and conditions.

2. Regulatory: The Choice Program is subject to ongoing Public Service Commission of Kentucky (PSC) jurisdiction and I understand that if the Choice program is terminated by the PSC this agreement will be terminated without penalty to me. IGS reserves the right, at any time, to terminate or reprice this offer due to any regulatory or procedural changes that my affect IGS' ability to serve customers under the terms and conditions of this offer. If IGS would change my price due to regulatory or procedural changes I will be notified and given a right to terminate at no cost to me.

3. Billing: For my convenience I will receive only one bill, which will be issued by Columbia Gas of Kentucky (Columbia) and will contain IGS' gas price plus sales tax and all of Columbia's transportation charges. If I pay under the check free or budget bill payment plan I understand that this service is available and will remain the same. I agree to continue to pay Columbia for the entire gas bill under Columbia's payment terms and conditions. At any time and from time to time during the term of this agreement IGS may, at its sole option, transfer my service back to Columbia for one or more months and reimburse me for the difference between the utility's rate and the contract price and if IGS does so, IGS may later, at its sole option, transfer my service back to IGS under the Choice Program for the remainder of my contract term. I will receive reimbursement no later than 90 days after returning to the Choice Program or 90 days after termination of this contract, whichever is earlier.

4. Dispute Resolutions: In the event of a billing dispute I should contact Columbia at the number listed on their bill for issues regarding volume or metering. For other questions about pricing I should contact IGS at 1-800-280-4474. I understand that IGS will use the following dispute resolution procedure about my agreement with IGS: Upon contacting IGS, I will explain my issues to the IGS representative who will attempt to answer my concerns and work out a mutually satisfactory solution. Failing a resolution, the IGS representative will refer my issue(s) to an IGS supervisor who will promptly contact me to discuss/resolve the issue(s). For any problems regarding the Columbia Choice program I may contact the Public Service Commission of Kentucky at 1-800-772-4636. If a dispute cannot be resolved in the above fashion I agree that any legal action involving any and all disputes arising under or relating to this agreement shall be brought in a court of the State of Ohio sitting in Franklin County, Ohio or in the United States District Court for the Southern District of Ohio sitting in Columbus, Ohio. I submit to the personal jurisdiction of such courts and irrevocably waive any and all objections that I now have or might in the future have to any and all such courts as the proper forum for any and all actions arising under or related to this agreement. This agreement shall be interpreted and enforced according to the laws of the State of Ohio, without giving effect to its choice of law principles.

5. Price: My price will be $5.39 per McF for the primary term plus sales tax at the delivery point. I will be responsible for all charges assessed by Columbia for (i) gas transportation (ii) adjustments to Columbia's Expected Gas Cost and (iii) all other applicable charges by Columbia for delivery of gas.

Renewal Rate: After the primary term and each secondary term the price for the next secondary term will be determined by taking the most recent closing NYMEX settlement price for the month of September and adding $3.095 per McF. (September 2001 settlement was $2.295 per McF) Each year IGS will notify me of the Renewal Rate for the upcoming secondary year and if for any reason I do not wish to continue I may cancel this agreement as per the conditions described under section 7.

(continued on reverse side)

Mail in this card to start saving right away.

IGS Customer Consent Form

#539 CKY 1202 V2

0000057KR1

AUTO5-DIGIT 40503
DANIEL L BUFORD
309 BLUEBERRY RD
LEXINGTON KY 40503-2004

If you have already enrolled with IGS, please disregard this mailing.

*If you don't have access to your current Columbia Gas Account Number call Columbia Gas to reference your account at 1-800-432-9345.

Phone Number (   )

Customer Signature (required) ______

Columbia Gas Account Number ☐☐☐☐☐☐☐☐ ☐☐☐ 0 0 0 ☐

My price will be fixed at $5.39 per McF through 12/02 if this card is received on or before 11/13/01. IGS reserves the right not to accept enrollments after 11/13/01.

By signing and returning this form, I acknowledge that I understand and agree to Interstate Gas Supply, Inc's (IGS) Terms and Conditions form #539 CKY 1202 V2. I want to participate in the Columbia Gas of Ke[illegible]y Customer Choice Pr[illegible]m with IGS as my supplier. As my supplier, IGS is entitled to obtain information on my historical and current usage from Columbia Gas of Kentucky.

6. Secondary term(s): IGS may continue my service for secondary terms under the above-calculated rate: IGS will notify me at least 60 days (but no more than 90 days) prior to the end of my primary term or any secondary term(s) of its desire to continue service under this agreement, the calculated price for the secondary term and any applicable changes to the terms and conditions. If I do not cancel at least 30 days prior to the end of the primary term or any secondary term(s) then this agreement will continue for an additional secondary term(s) and will include the proposed changes.

7. Cancellation: I may cancel this agreement, with no charge to me, at any time during the initial 12 months of service under this agreement by giving IGS thirty days written notice. If I decide to cancel at any time after the initial 12 months of service (other than upon at least thirty days notice prior to the end of the primary or any secondary term) then I will pay a thirty-dollar cancellation fee and I acknowledge tht IGS may not release me until receipt of such cancellation fee.

8. Assignment: This contract is assignable by IGS without my consent subject only to any regulatory approvals required under the Customer Choice program.

9. Moving: If I move to another address outside of the Columbia service territory this agreement will automatically terminate with no penalty to me. If I move to another address within Columbia's service territory I may cancel this agreement with no penalty to me. If I do not cancel I agree that IGS may, at its option, automatically continue this agreement at my new address under my new Columbia account number and furthermore I agree to provide this number to IGS upon their request.

Interstate Gas Supply
5020 Bradenton Ave.
Dublin, OH. 43017
Fax 614.923.0470
Toll Free: 1-877-444-7427
www.IGSenergy.com

Winter Gas Prices
Will be here Soon.
Lock in your low fixed price

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INTERSTATE GAS SUPPLY INC
5020 BRADENTON AVE
DUBLIN OH 43017-7730

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NECESSARY
IF MAILED
IN THE
UNITED STATES

[Name]
[Address]
[Address 2]
[City, State, ZIP]

Natural gas prices are on the rise.

Take Control of Your Gas Bills and Start Saving Now!

You currently pay Columbia Gas of Kentucky $9.17 per Mcf for your natural gas. *This is an increase of more than 100% over the past 6 months!* Interstate Gas Supply ("IGS") is now offering you *two great ways* to take control of your gas costs. IGS is one of the largest non-regulated natural gas suppliers in the United States. We currently supply more than *half a million* families, businesses, and manufacturers with all of their natural gas needs. In fact, **more than** 25% of Columbia Gas of Kentucky's customers already purchase their gas from IGS. Since the start of the Customer Choice Program, we have saved our customers millions of dollars. Enroll now, and you too can start to take control of your gas costs.

Option One Fixed Price	Option Two Guaranteed Savings
This option lets you lock in a price of $7.89 per Mcf, compared to Columbia's current price of $9.17 per Mcf. This is a current savings of 14%! This price will also remain stable through March of 2004.	**This option guarantees that you will always save 5% off of the cost that Columbia will charge for natural gas. No matter what Columbia charges for gas in the future, IGS guarantees your savings of 5%.**

Your Satisfaction is *Guaranteed*, or you may cancel at any time, without penalty!

- **No cost to enroll**
- **No monthly charges**
- **No hidden costs**

Act Now
Offer expires June 10th

Columbia Gas will still continue to:

- **Send you one monthly bill**
- **Deliver your gas**
- **Respond to your service calls**

The *ONLY* difference is... you get to take control of your gas costs!

In addition to approximately 35,000 satisfied Kentucky families, here are a few more IGS customers currently saving on their gas bills:

Acura of Lexington	American Red Cross	Burger King	Carhartt, Inc.
Commonwealth of Kentucky	Central Baptist Church	City of Ashland	Cracker Barrel
Fayette County Public Schools	Goodwill Inds.	Winn Dixie Stores	American Red Cross
Kentucky State University	Pier 1 Imports	Pizza Hut	Toyota of Lexington
Lexington Schools	Lowe's Inc.	McDonalds	Xerox Corporation

There are two easy ways to enroll:

Log-on to www.IGSenergy.com to learn more and enroll on-line

or

Call toll-free 1-877-444-7427 to start saving on your gas bills!

EXHIBIT
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C-4

ID number [123456]

Interstate Gas Supply, Inc.

Columbia Gas of Kentucky Choice Program Analysis

Date	# Custom ers	Total Sales	Total Usage per DET File	Total usage	GCR Usage compare	EGC Usage compare	IGS Price per MCF	CKY EGC per MCF	Savings per Unit	Total Savings	CKY GCR per MCF	Savings per Unit	Total Savings
Dec-00	12,013	$2,059,417		318,751	318,751		$6.461				$7.671	$1.210	$385,596.76
Jan-01	12,857	$3,138,196		460,146	460,146		$6.820				$7.671	$0.851	$391,400.19
Feb-01	13,890	$2,455,233		359,047	359,047		$6.838				$7.671	$0.832	$298,874.40
Mar-01	23,453	$3,585,254		484,056	484,056		$7.407				$8.898	$1.492	$721,974.22
Apr-01	29,809	$3,191,718		405,902	405,902		$7.863				$8.352	$0.489	$198,335.89
May-01	35,033	$1,337,283		176,352	176,352		$7.583				$8.940	$1.357	$239,335.44
Jun-01	35,968	$1,040,709		129,654	129,654		$8.027				$8.930	$0.903	$117,070.63
Jul-01	35,986	$763,012		100,822	100,822		$7.568				$7.834	$0.266	$26,855.88
Aug-01	35,638	$730,396		107,197	107,197		$6.814				$5.699	($1.115)	($119,480.59)
Sep-01	35,489	$494,464		85,532		85,532	$5.781	$6.358	$0.577	$49,330.52	$7.406	$1.625	$0.00
Oct-01	38,123	$1,058,287		176,491		176,491	$5.996	$6.358	$0.362	$63,806.76	$7.406	$1.409	$0.00
Nov-01	40,946	$2,056,068		343,712		343,712	$5.982	$6.358	$0.376	$129,184.08	$7.406	$1.424	$0.00
Dec-01	44,011	$3,104,259		545,698	148,951	396,747	$5.689	$5.084	($0.605)	($239,837.52)	$6.134	$0.445	$66,356.01
Jan-02	44,151	$6,271,013		1,103,685	321,399	782,286	$5.682	$5.084	($0.598)	($467,642.75)	$6.134	$0.452	$145,339.71
Feb-02	43,933	$5,046,882		893,581	282,517	611,063	$5.648	$5.084	($0.564)	($344,535.91)	$6.134	$0.486	$137,351.50
Mar-02	43,535	$4,719,751		848,957	457,347	391,610	$5.559	$4.258	($1.301)	($509,590.74)	$5.438	($0.121)	($55,462.43)
Apr-02	43,127	$3,228,998		582,702	402,759	179,944	$5.541	$4.258	($1.283)	($230,907.31)	$5.438	($0.103)	($41,572.76)
May-02	42,750	$1,470,245		265,928	217,924	48,004	$5.529	$4.258	($1.271)	($60,990.77)	$5.438	($0.091)	($19,730.82)
Jun-02	42,116	$983,582		179,150	152,998	26,152	$5.490	$4.850	($0.641)	($16,757.58)	$6.030	$0.539	$82,499.40
Jul-02	41,654	$604,834		110,191	95,197	14,994	$5.489	$4.850	($0.639)	($9,587.84)	$6.060	$0.571	$54,315.76
Aug-02	41,174	$565,872		103,033	89,180	13,853	$5.492	$4.850	($0.643)	($8,902.36)	$6.030	$0.537	$47,923.64
Sep-02	40,735	$551,487		102,419	89,229	13,190	$5.385	$4.526	($0.858)	($11,320.92)	$4.783	($0.602)	($53,689.37)
Oct-02	40,092	$787,994		145,025	137,903	7,122	$5.433	$4.526	($0.907)	($6,461.45)	$4.783	($0.651)	($89,718.25)
Nov-02	39,752	$2,199,855		404,938	404,938	0	$5.433	$4.526	($0.906)	$0.00	$4.783	($0.650)	($263,076.33)
Dec-02	39,208	$4,794,485		859,184	859,184	0	$5.580	$5.457	($0.124)	$0.00	$5.732	$0.152	$130,355.37
Jan-03	38,656	$6,108,258		1,061,288	1,061,288		$5.756	$5.457	($0.299)	$0.00	$5.732	($0.024)	($24,950.88)
Feb-03	38,406	$6,879,119		1,157,357	1,157,357		$5.944	$5.457	($0.487)	$0.00	$5.732	($0.212)	($245,151.38)
Mar-03	38,143	$5,620,276		890,322	890,322		$6.313	$7.181	$0.869	$0.00	$7.566	$1.253	$1,115,804.32
Apr-03	37,828	$2,910,867		430,920	430,920		$6.755	$9.167	$2.412	$0.00	$9.552	$2.797	$1,205,192.19
Totals		$77,757,814		12,832,038	9,741,338	3,090,700				($1,664,213.79)		$15.523	$4,451,748.50
Averages	36,154						$6.202				$6.737		
										$2,787,534.71			

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Interstate Gas Supply, Inc.

Columbia Gas of Kentucky Choice Program Analysis

Date	# Customers	Total Sales	Total usage	IGS Price per MCF	EGC Usage compare	CKY EGC per MCF	Savings per Unit	Total Savings Comparison EGC	GCR Usage compare	CKY GCR per MCF	Savings per Unit	Total Savings Comparison GCR	Total Savings Comparison
Dec-00	12,013	$2,059,417	318,751	$6.461					318,751	$7.671	$1.210	$385,596.76	$385,596.76
Jan-01	12,857	$3,138,196	460,146	$6.820					460,146	$7.671	$0.851	$391,400.19	$391,400.19
Feb-01	13,890	$2,455,233	359,047	$6.838					359,047	$7.671	$0.832	$298,874.40	$298,874.40
Mar-01	23,453	$3,585,254	484,056	$7.407					484,056	$8.898	$1.492	$721,974.22	$721,974.22
Apr-01	29,809	$3,191,718	405,902	$7.863					405,902	$8.352	$0.489	$198,335.89	$198,335.89
May-01	35,033	$1,337,283	176,352	$7.583					176,352	$8.940	$1.357	$239,335.44	$239,335.44
Jun-01	35,968	$1,040,709	129,654	$8.027					129,654	$8.930	$0.903	$117,070.63	$117,070.63
Jul-01	35,986	$763,012	100,822	$7.568					100,822	$7.834	$0.266	$26,855.88	$26,855.88
Aug-01	35,638	$730,396	107,197	$6.814					107,197	$5.699	($1.115)	($119,480.59)	($119,480.59)
Sep-01	35,489	$494,464	85,532	$5.781	85,532	$6.358	$0.577	$49,330.52		$7.406	$1.625	$0.00	$49,330.52
Oct-01	38,123	$1,058,287	176,491	$5.996	176,491	$6.358	$0.362	$63,806.76		$7.406	$1.409	$0.00	$63,806.76
Nov-01	40,946	$2,056,068	343,712	$5.982	343,712	$6.358	$0.376	$129,184.08		$7.406	$1.424	$0.00	$129,184.08
Dec-01	44,011	$3,104,259	545,698	$5.689	400,234	$5.084	($0.605)	($241,945.70)	145,463	$6.134	$0.445	$64,802.40	($177,143.30)
Jan-02	44,151	$6,271,013	1,103,685	$5.682	784,444	$5.084	($0.598)	($468,932.60)	319,241	$6.134	$0.452	$144,363.97	($324,568.63)
Feb-02	43,933	$5,046,882	893,581	$5.648	610,514	$5.084	($0.564)	($344,226.05)	283,067	$6.134	$0.486	$137,618.68	($206,607.37)
Mar-02	43,535	$4,719,751	848,957	$5.559	418,602	$4.258	($1.301)	($544,714.22)	430,355	$5.438	($0.121)	($52,189.15)	($596,903.37)
Apr-02	43,127	$3,228,998	582,702	$5.541	202,983	$4.258	($1.283)	($260,471.46)	**379,720**	$5.438	($0.103)	($39,194.67)	($299,666.13)
May-02	42,750	$1,470,245	265,928	$5.529	85,515	$4.258	($1.271)	($108,649.72)	180,413	$5.438	($0.091)	($16,334.59)	($124,984.31)
Jun-02	42,116	$983,582	179,150	$5.490	43,654	$4.850	($0.641)	($27,972.29)	135,496	$6.030	$0.539	$73,062.15	$45,089.86
Jul-02	41,654	$604,834	110,191	$5.489	28,444	$4.850	($0.639)	($18,188.49)	81,747	$6.060	$0.571	$46,641.57	$28,453.08
Aug-02	41,174	$565,872	103,033	$5.492	28,617	$4.850	($0.643)	($18,390.11)	74,416	$6.030	$0.537	$39,989.67	$21,599.56
Sep-02	40,735	$551,487	102,419	$5.385	24,358	$4.526	($0.858)	($20,906.81)	78,061	$4.783	($0.602)	($46,969.30)	($67,876.11)
Oct-02	40,092	$787,994	145,025	$5.433	31,478	$4.526	($0.907)	($28,556.89)	113,547	$4.783	($0.651)	($73,872.54)	($102,429.43)
Nov-02	39,752	$2,199,855	404,938	$5.433	51,799	$4.526	($0.906)	($46,943.97)	**353,139**	$4.783	($0.650)	($229,424.01)	($276,367.98)
Dec-02	39,208	$4,794,485	859,184	$5.580	60,087	$5.457	($0.124)	($7,425.53)	**799,097**	$5.732	$0.152	$121,239.00	$113,813.47
Jan-03	38,656	$6,108,258	1,061,288	$5.756	11,743	$5.457	($0.299)	($3,508.90)	1,049,545	$5.732	($0.024)	($24,674.80)	($28,183.70)
Feb-03	38,406	$6,879,119	1,157,357	$5.944	17,930	$5.457	($0.487)	($8,734.11)	1,139,427	$5.732	($0.212)	($241,353.43)	($250,087.54)
Mar-03	38,143	$5,620,276	890,322	$6.313	12,593	$7.181	$0.869	$10,937.34	877,729	$7.566	$1.253	$1,100,022.65	$1,110,959.99
Apr-03	37,828	$2,910,867	430,920	$6.755	18,785	$9.167	$2.412	$45,310.39	**412,135**	$9.552	$2.797	$1,152,655.33	$1,197,965.72
May-03	37,490	$1,564,198	223,732	$6.991	46,743	$9.167	$2.176	$101,698.78	176,989	$9.552	$2.560	$453,165.17	$554,863.95
Totals		$77,757,814	12,832,038		3,437,514			($1,749,298.98)	9,394,524			$4,869,510.92	$3,120,211.94
Averages	36,199			$6.202						$6.737			

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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. 1999-00165

INTERSTATE GAS SUPPLY, INC.'S RESPONSES TO INITIAL INTERROGATORIES FROM COLUMBIA GAS OF KENTUCKY, INC.

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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. 1999-00165

INTERSTATE GAS SUPPLY, INC.'S RESPONSES TO INITIAL INTERROGATORIES FROM COLUMBIA GAS OF KENTUCKY, INC.

Interstate Gas Supply, Inc. ("IGS"), hereby submits its responses to the Initial Interrogatories From Columbia Gas of Kentucky, Inc. to Interstate Gas Supply, Inc. (the, "Interrogatories," IGS's responses, "Responses," Columbia Gas of Kentucky, Inc. ("CKY" or "Columbia") as follows:

a. The information supplied in these Responses is not based solely upon the knowledge of the executing party, but includes the knowledge of the party's agents, representatives, and attorneys, unless privileged.

b. The word usage and sentence structure is that of the attorneys who in fact prepared these Responses and the language does not purport to be the exact language of the executing party.

c. The Interrogatories have been interpreted and answered in accordance with the Kentucky rules, plain English usage.

d. IGS reserves the right to amend or supplement these answers as new material information is discovered.

GENERAL OBJECTIONS

1. IGS objects to and declines to respond to each and every discovery request to the extent it calls for responses that are not within reasonable bounds, are not relevant to the subject matter involved in the pending action, and in general, call for responses that lie outside the scope of this proceeding, are not relevant to the subject matter of this proceeding, or

are not reasonably calculated to lead to the discovery of admissible evidence. *See* Ky. CR 26.02; *see also Carpenter v. Wells*, 358 S.W.2d 524, 526-27 (Ky. 1962).

2. IGS objects to and declines to respond to each and every discovery request to the extent that it seeks information that is confidential or privileged by statute or common law, including without limitation, privileged communications between attorney and client, attorney work product, trial preparation materials, mental impressions, conclusions, opinions, or legal theories of an attorney or any other representative of IGS. *See* Ky. CR 26.02; *see also Alexander v. Swearer*, 642 S.W.2d 896, 898 (Ky. 1982).

3. IGS objects to and declines to respond to each and every discovery request to the extent it is vague, ambiguous, or contains terms and/or phrases that are undefined and/or are subject to varying interpretations or meanings, and could, therefore, cause responses to be misleading and/or incorrect. *See* Ky. CR 26.02 and 26.03.

4. IGS objects to and declines to respond to each and every discovery request to the extent that it causes annoyance, embarrassment, oppression, or undue burden or expense. *See* Ky. CR 26.03; s*ee also Britton v. Garland*, 335 S.W.2d 329, 331 (Ky. 1960).

5. IGS objects to and declines to respond to each and every discovery request to the extent it is abusive or in bad faith. The purpose of discovery is not to explore whether CKY has a cause of action, and such use of discovery is impermissible, inasmuch as discovery must be relevant to the subject matter of the suit. *See* Ky. CR 26.02-.03; *see also Pendleton Brothers Vending, Inc. v. Kentucky*, 758 S.W.2d 24 (Ky. 1988).

6. To the extent the discovery request seeks relevant information which may be derived or ascertained from the business records of IGS or from examination, audit, or inspection of such business records, or from a compilation, abstract, or summary based thereon, and the burden of deriving or ascertaining the answer is substantially the same for CKY, as it is for IGS, then IGS may specify the records from which the answers may be derived or ascertained, and afford CKY a reasonable opportunity to examine, audit, or inspect such records and to make copies, compilations, abstracts, or summaries of the same. *See* Ky. CR 33.03.

7. IGS objects to and declines to respond to each and every discovery request to the extent it calls for information that is not in IGS's current possession, custody, or control. IGS also objects to and declines to respond to each and every discovery request that seeks information already known or readily available by less onerous means, including without limitation, information that is already on file with this Commission and other documents IGS has filed with this Commission. *See* Ky. CR 26.02, 33.01, 33.03, and 34.01.

8. The production of any documents by IGS does not and shall not constitute any admission concerning any document, their content, or the evidentiary sufficiency of any documents, including without limitation, its authentication, best evidence, relevancy or hearsay.

9. All responses of IGS to the discovery requests are made subject to, and without waiving these objections.

SPECIFIC RESPONSES TO INTERROGATORIES

Interrogatory No. 1: Has IGS retained the services of any consultants for purposes of analyzing the issues in these cases, or for the purpose of assisting IGS with the preparation of testimony? If so, with respect to each and every consultant do the following:

See General Objection Nos. 1, 2, and 3. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: CKY fails to define the term "consultant." To the extent that CKY is referring to persons that are not employees of IGS and not IGS's counsel, IGS has not retained any such consultant.

Interrogatory No. 1(a): Identify him or her;

See General Objection Nos. 1, 2, and 3. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: See Response to Interrogatory No. 1.

Interrogatory No. 1(b): State the subject matter about which he or she has been retained to assist IGS.

See General Objection Nos. 1, 2, and 3. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: See Response to Interrogatory No. 1.

Interrogatory No. 2: With the regard to the Petition of Interstate Gas Supply, Inc. to Continue and Make Permanent the Choice Program of Columbia Gas of Kentucky, Inc., filed with the Kentucky Public Service Commission in docket number 1999-00165 on June 12, 2003 (the "Petition"), IGS states on p. 4 that, "IGS discontinued accepting new enrollments pending resolution of Columbia's restrictive mandatory capacity filing." On what date did IGS discontinue accepting new enrollments?

See General Objection Nos. 2, 3, 5, and 7. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: As of January 2002, IGS served approximately 44,000 Choice Program customers. By April 2003, the number of IGS's customers had dropped to approximately 37,800. This drop occurred because IGS discontinued its active solicitation and marketing efforts, to mitigate associated expenditures, pending resolution of CKY's restrictive mandatory capacity assignment filing. IGS ceased accepting any new enrollments associated with active marketing and solicitation activities around March 2002, to until approximately May 2003, when IGS reinitiated its marketing efforts. During the period of cessation of IGS's marketing activities, however, IGS continued to accept customer renewals, renewals due to relocations of existing customers within CKY's service area, and unsolicited enrollments of customers requesting enrollment due to word-of-mouth recommendations of IGS.

Interrogatory No. 3: On p. 4 of the Petition IGS states that, "upon settlement of the mandatory capacity issue, IGS began accepting new enrollments,..." On what date did IGS begin accepting new enrollments?

See General Objection Nos. 2, 3, 5, and 7. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: See IGS's Response to Interrogatory No. 2, and to the extent set forth therein, IGS began accepting new enrollments associated with its marketing and solicitation activities around April 15, 2003. Relative to its May 2003 marketing effort, IGS discontinued accepting new enrollments around June 13, 2003. The deadline in that marketing material was initially June 10, 2003; however, due to the outcry from customers who had neglected to enroll and who continued to call IGS requesting enrollment, the deadline was extended to the end of that week.

Interrogatory No. 4: How many customers did IGS have enrolled under Columbia's Choice program on April 1, 2003?

See General Objection Nos. 3, 6, and 7. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: Based on the confirmations sent to IGS by CKY, on April 1, 2003, IGS had 37,828 customers enrolled in the CKY Choice Program.

Interrogatory No. 5: How many customers did IGS have enrolled under Columbia's Choice program on July 10, 2003?

See General Objection Nos. 3, 6, and 7. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: On July 10, 2003, IGS had an estimated 39,671 customers enrolled in the CKY Choice Program. Relying on the August demand curve from CKY, through July, IGS had 39,870 customers enrolled.

Interrogatory No. 6: Describe IGS's marketing efforts to enroll customers under the Choice program subsequent to June 1, 2003.

See General Objection Nos. 3, 6, and 7. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: Subsequent to June 1, 2003, IGS's marketing efforts to enroll customers in the Choice Program generally consisted of responding to inbound telephone calls and Internet enrollments generated by the direct mail marketing materials sent around May 2003 to solicit prospective customers.

Interrogatory No. 7: On p. 4 of the Petition, IGS states, "marketers have been reluctant to commit resources to enter and participate in the Columbia market."

(a) Identify the individual marketers that IGS knows to have been reluctant to commit resources to enter and participate in the Columbia market.

See General Objection Nos. 2, 3, 4, 5, and 7. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: The marketers referred to in this Interrogatory are: WPS/FSG Energy Services and Vectren Source.

(b) For each marketer identified in the response to Interrogatory number 7(a) above, identify the individual associated with each marketer who conveyed this impression to IGS, and the date of the communication.

See General Objection Nos. 2, 3, 4, 5, and 7. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: The person associated with WPS/FSG Energy Services was Betty Merlina, Vice President Operations, located at 6797 North High Street, Suite 314, Worthington Ohio, at

614 846 7888. The person associated with Vectren Source was Larry Friedeman, located at 100 N. Governor Street, Evansville, IN 47711, at 812 491 4852. IGS contacted these persons on numerous dates over this year, exact dates are not known.

Interrogatory No. 8: Page 4 of the Petition refers to price options available to customers. Please provide all the price options that IGS currently makes available to customers under Columbia's Choice program.

See General Objection Nos. 3, 4, 6, and 7. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: IGS currently has customers receiving gas at ten (10) different rates. Of these rates, some are fixed rates, some are a percentage discount off of CKY's sales rate, and some are a NYMEX index rate. IGS is not currently enrolling customers due to the uncertain future of the Choice Program, and accordingly, there are no price options available to prospective customers. From approximately May 1, 2003, to June 12, 2003, IGS offered prospective customers the opportunity to enroll in the Choice Program under the following two offers: (1) A guaranteed savings program with a 5% discount off CKY's Expected Gas Cost (EGC), through March 2004, and (2) A fixed price of $7.89 per Mcf through March 2004.

The breakdown of these rates and number of enrolled customers is as follows:

5% discount	6716 customers
$5.99 per MCF	13944 customers
$6.383 per MCF	5520 customers
$6.438 per MCF	7915 customers
$6.483 per MCF	213 customers
$6.983 per MCF	148 customers
$7.49 per MCF	1435 customers
$7.89 per MCF	2363 customers
$7.99 per MCF	1468 customers
NYMEX+$1.75/MCF	5 customers

(a) Have these price options been revised since January 1, 2003?

See General Objection Nos. 2, 3, and 8. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: See IGS's Response to Interrogatory No. 8.

(b) If the answer to Interrogatory number 8(a) above is affirmative, please describe all the revisions to the price options since January 1, 2003.

See General Objection Nos. 2, 3, and 8. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: See IGS's Response to Interrogatory Nos. 8 and 8(a).

Interrogatory No. 9: List all states in which IGS sells natural gas supplies to end-user customers.

See General Objection Nos. 2, 3, and 5. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: IGS sells natural gas to end-users in Kentucky, Ohio, Michigan, and Pennsylvania.

Interrogatory No. 10: On p. 5 of the Petition, IGS states that it "has made substantial investments in both software and in developing a customer service department to serve and assist IGS's enrolled customers."

(a) Describe the software investment referenced on p. 5 of the Petition.

See General Objection Nos. 1 and 2. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: The software referenced on page 5, paragraph 15, of IGS's Petition consists of customized and proprietary software that IGS had developed for customer service, contract management, and for purposes of interfacing with the utility systems on which IGS does business.

(b) What is the amount of the software investment referenced on p. 5 of the Petition?

See General Objection Nos. 1 and 2. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: IGS objects to and declines to respond to this Interrogatory inasmuch as the cost of the software is not reasonably calculated to lead to the discovery of admissible information. Additionally, the cost of this software is confidential and proprietary, and divulging the same would be commercially and competitively disadvantageous to IGS.

(c) Is the software referenced in the responses to Interrogatory Nos. 10(a) and (b) used only for servicing and assisting IGS customers enrolled in Columbia Gas of Kentucky's Choice program, or is the software also used by IGS to serve customers other than Columbia Gas of Kentucky's Choice customers?

See General Objection Nos. 1 and 2. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: IGS uses the software referenced in IGS's Response to Interrogatory Nos. 10(a) and 10(b) to serve customers other than CKY Choice Program customers. However, IGS has invested in certain customizations of the software specifically to serve its CKY Choice Program customers.

(d) Describe the customer service department developed to serve IGS's Kentucky customers, referenced on p. 5 of the Petition.

See General Objection Nos. 1 and 2. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: The customer service department referenced on page 5, paragraph 15, of IGS's Petition consists of, at present, 13 customer service representatives (CSRs). All CSRs are full-time IGS employees, with the exception of two individuals who cut hours back in the summer to be with school-aged children. The average length of service for all IGS CSRs is 2.5 years. The CSR Manager had 20 years of call center management experience prior to joining IGS in Fall 2002. The CSR Manager's responsibilities include: customer escalations beyond the CSR, employee scheduling, and training. Further, a quality control manager oversees the interaction between the customer service department, IGS' customers, and the various regulatory bodies with which IGS interacts on a day-to-day basis. These include the Kentucky Public Service Commission, the Public Utilities Commission of Ohio, The Ohio Consumers' Counsel, and various Better Business Bureaus. IGS also employs state-of-the-art voice and data recording equipment that enables a manager to quickly review previous customer calls, including conversations and disputes between customers and IGS CSRs. In addition, all written documents, including contracts and letters of cancellation, are digitally scanned and archived in a format that allows a representative to email a copy of any such document received from a customer to that customer. This transmission can occur before the phone conversation has been terminated, if the customer has a cable modem or DSL service, or immediately following the conversation if the customer has dial-up internet service. Of course, these documents can also be printed and mailed. The Director of Customer Choice Programs oversees the entire customer service department.

(e) Does IGS have a customer service department physically located in Kentucky? Please list all the physical locations in which IGS maintains a customer service department.

See General Objection Nos. 1 and 2. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: IGS does not have a customer service department located in Kentucky. All of IGS' customer service is performed from its facility at 5025 Bradenton Avenue in Dublin, Ohio, directly across the street from IGS' corporate headquarters

(f) What is the amount of the investment made in the customer service department referenced on p. 5 of the Petition?

See General Objection Nos. 1 and 2. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: IGS objects to and declines to respond to this Interrogatory inasmuch as the cost of its investments in the customer service department is not reasonably calculated to lead to the discovery of admissible information. Also, these costs are confidential and proprietary, and divulging the same would be commercially and competitively disadvantageous to IGS.

(g) Does the customer service department service and assist only IGS customers enrolled in the Kentucky Choice program, or does the customer service department also service and assist IGS customers in other states?

See General Objection Nos. 1 and 2. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: The customer service department is not limited to serving only IGS's CKY Choice Program customers. All customer service representatives are, however, cross-trained to serve all of the choice programs that IGS serves.

Interrogatory No. 11: On p. 9 of the Petition IGS states that it has relied on Kentucky local production as part of IGS's overall delivery portfolio. Please specify by month, for each month that IGS has participated in the Kentucky Choice program, the volumes of Kentucky local production used as part of the delivery portfolio used to serve IGS's Kentucky customers.

(a) For these same months, please identify the percentage of IGS's overall delivery portfolio for the Kentucky Choice program that is comprised of Kentucky local production.

See General Objection Nos. 1, 2, and 8. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: See Attachment A hereto for Response to Interrogatory No. 11 and 11(a).

Interrogatory No. 12: Please provide the monthly calculations that support the savings of \$1,605,069.81 referenced on p. 10 of the Petition.

See General Objection Nos. 1, 2, and 8. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: See Attachment B hereto. See also Response to Interrogatory No 13 for a more detailed calculation spreadsheet.

Interrogatory No. 13: Please provide the monthly calculations that support the savings of \$2.7 million referenced on p. 10 of the Petition.

See General Objection Nos. 1, 2, and 8. Notwithstanding the objection(s) and without waiving this objection(s), the following response is provided. Objections are of counsel, Response provided by Scott White, President, IGS.

Response: The calculations referencing the \$2.7 million savings are attached hereto as Attachment C, also attached, as Attachment D, is IGS's revised savings calculations spreadsheet, which uses a more detailed calculation methodology, revising the savings to approximately \$3.1 million through May 2003. The process used to analyze the saving in the spreadsheets consists of taking the total sales dollars and total sales units (obtained from CKY's monthly remittance statements) to determine IGS's average price per Mcf, which price is compared to CKY's applicable rate (either the EGC or the GCR), to determine the savings per Mcf, which savings times the customer volumes over the period, result in the total savings figure.

The applicable comparison unit, whether the ECG or GCR, depends on the length of the customer's participation in the program. A migrating customer is responsible for any prior period gas cost adjustments, whether credits or debits. Customers in the first 12-months on the program that received the gas cost adjustments, are compared to the EGC, but after the initial 12 months their comparison unit is the GCR. Note, through August 2001, CKY did not pass through these adjustments, and therefore, the applicable comparison unit for all customers over this period was the GCR, not the EGC.

IGS's revised savings estimate uses more specific data. For the original \$2.7 million savings estimate, IGS used a ratio of the aggregate number of customers to estimate the percentage of usage for comparison against the EGC versus the GCR. For the revised \$3.1 million savings calculation, IGS, using CKY's monthly DET files, identified the actual customers who had been enrolled in the program for 12 months or more, and used their actual consumption to determine the gas volumes to be compared to the EGC.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Interstate Gas Supply, Inc.'s Responses To Initial Interrogatories From Columbia Gas of Kentucky, Inc. was mailed, postage prepaid to the below listed persons on July 24, 2003.

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Date	Total usage in MCF	Total Kentucky Production Purchases	Percent of Total Usage
Dec-00	318,751	80,785	25.34%
Jan-01	460,146	74,852	16.27%
Feb-01	359,047	62,012	17.27%
Mar-01	484,056	66,734	13.79%
Apr-01	405,902	69,677	17.17%
May-01	176,352	83,290	47.23%
Jun-01	129,654	71,343	55.03%
Jul-01	100,822	82,377	81.71%
Aug-01	107,197	70,536	65.80%
Sep-01	85,532	84,871	99.23%
Oct-01	176,491	88,042	49.88%
Nov-01	343,712	88,076	25.62%
Dec-01	545,698	68,302	12.52%
Jan-02	1,103,685	92,336	8.37%
Feb-02	893,581	94,964	10.63%
Mar-02	848,957	86,258	10.16%
Apr-02	582,702	95,339	16.36%
May-02	265,928	107,962	40.60%
Jun-02	179,150	88,090	49.17%
Jul-02	110,191	129,092	100.00%
Aug-02	103,033	97,275	94.41%
Sep-02	102,419	78,285	76.44%
Oct-02	145,025	87,309	60.20%
Nov-02	404,938	62,927	15.54%
Dec-02	859,184	88,398	10.29%
Jan-03	1,061,288	79,625	7.50%
Feb-03	1,157,357	72,183	6.24%
Mar-03	890,322	100,638	11.30%
Apr-03	430,920	94,262	21.87%
May-03	223,732	92,993	41.56%
Totals Averages	12,832,038	2,445,840	19.06%

EXHIBIT

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	KY EGC	IGS Price 1 10%	Volume	Savings	IGS Price 2 12%	Volume	Savings	IGS Price 3 NY +1.75	Volume	Savings
Nov-00	6.838	6.151	324549.5	$ 221,933.44				0.000	2762.5	$ 18,890.53
Dec-00	7.671	6.904	477026.6	$ 365,908.02	6.750	120.3	$ 110.73	0.000	5691.1	$ 43,654.15
2001										
Jan	7.671	6.904	375596.1	$ 288,104.74	6.750	91.7	$ 84.41	0.000	3401.9	$ 26,094.81
Feb	7.671	6.904	502152.7	$ 385,181.25	6.750	84.1	$ 77.41	0.000	2977.9	$ 22,842.28
Mar	8.898	8.001	434358.7	$ 389,793.50	7.830	53.6	$ 57.23	0.000	1550.5	$ 13,796.68
April	8.352	7.517	203279	$ 169,778.62	7.350	16.1	$ 16.14	0.000	120.2	$ 1,003.90
May	8.940	8.046	136312	$ 121,865.65	7.867	12	$ 12.87	0.000	88.2	$ 788.53
June	8.930	8.037	122353.4	$ 109,261.59	7.858	50.9	$ 54.54	6.641	3.5	$ 8.01
July	7.834	7.051	116538.8	$ 91,296.50	6.894	47.9	$ 45.03	5.488	2	$ 4.69
Aug	5.699	5.129	116187.8	$ 66,215.43	5.015	53.7	$ 36.72	4.932	0.2	$ 0.15
Sep	6.356	5.720	101246.5	$ 64,348.23	5.593	59.9	$ 45.68	4.917	640.7	$ 921.71
Oct	6.356	5.720	177452.9	$ 112,781.97	5.593	84.0	$ 64.06	4.045	1285.7	$ 2,924.53
Nov	6.356	5.720	67003.4	$ 42,584.68	5.593	26.3	$ 20.06			
Dec	5.084	4.576	78753.2	$ 40,038.13	4.474	629	$ 383.75			
2002										
Jan	5.084	4.576	103084.8	$ 52,408.31	4.474	346.7	$ 211.52			
Feb	5.084	4.576	57516.6	$ 29,241.44	4.474	288.6	$ 174.85			
March	4.258	3.832	43462.9	$ 18,506.50	3.747	295.9	$ 151.20			
April	4.258	3.832	34990	$ 14,898.74	3.747	261.9	$ 133.83			
May	4.258	3.832	15820.2	$ 8,736.24	3.747	787.0	$ 402.14			
June	4.850	4.365	10695.0	$ 5,188.54	4.268	1282.3	$ 746.22			
July										
Aug										
Sep										
Oct										
Nov										
Dec										
Jan										
Total Savings(EGC)				$2,598,069.52			$2,828.40			$130,929.75

	IGS Price 4 7.65	Volume	Savings	IGS Price 5 5.99	Volume	Savings	IGS Price 6 5.49	Volume	Savings	IGS Price 7 5.39	Volume	Savings	Price 8 5%	Volume	Savings
Nov-00															
Dec-00															
2001															
Jan															
Feb															
Mar															
April	7.65	465.6	$ 326.80												
May	7.65	901.8	$ 1,183.50												
June	7.65	8740.9	$ 11,186.60												
July	7.65	10309	$ 1,899.95												
Aug	7.65	10452.9	$ (20,393.61)	5.99	265	$ (77.12)									
Sep	7.65	17205.3	$ (22,270.54)	5.99	93698.5	$ 34,256.17									
Oct	7.65	27317.3	$ (35,359.51)	5.99	155600.7	$ 56,887.62	5.49	2823.1	$ 2,443.68	5.39	2634.1	$ 2,543.49			
Nov	7.65	24567.1	$ (31,799.65)	5.99	160587.7	$ 58,710.86	5.49	3885.9	$ 3,363.64	5.39	6812.2	$ 6,577.86			
Dec	7.65	32810.7	$ (84,188.98)	5.99	219830.5	$ (199,144.45)	5.49	7163.1	$ (2,907.50)	5.39	37903.4	$ (11,594.65)	4.830	6.5	$ 1.65
2002															
Jan	7.65	74921	$(192,239.79)	5.99	412797.4	$ (373,953.16)	5.49	16127.2	$ (6,546.03)	5.39	147845.7	$ (45,226.00)	4.830	12043.0	$ 3,062.53
Feb	7.65	50325.6	$(129,130.46)	5.99	168761.5	$ (152,881.04)	5.49	10748.4	$ (4,362.78)	5.39	106894.3	$ (32,698.97)	4.830	15520.0	$ 3,946.74
March	7.65	47169.7	$(159,990.19)	5.99	76816.0	$ (133,029.95)	5.49	9433.5	$ (11,620.19)	5.39	97051.1	$(109,842.43)	4.405	2290.6	$ (335.18)
April	7.65	30728.4	$(104,224.59)	5.99	45307.0	$ (76,462.66)	5.49	7200.2	$ (8,869.21)	5.39	51873.5	$ (56,710.43)	4.405	1635.5	$ (239.32)
May	7.65	1944.3	$ (6,594.68)	5.99	19912.5	$ (34,484.47)	5.49	2856.8	$ (3,519.01)	5.39	18406.5	$ (20,832.48)	4.405	799.0	$ (118.92)
June	7.65	290.4	$ (813.27)	5.99	11807.6	$ (13,466.57)	5.49	987.1	$ (632.24)	5.39	14888.1	$ (8,047.02)	4.607	477.9	$ 115.88
July															
Aug															
Sep															
Oct															
Nov															
Dec															
Jan															
Total Savings(EGC)			$(772,428.40)			$ (835,644.77)			$ (32,649.63)		Total Saving	$(277,830.63)		Total Savh	$ 6,435.38

KY AGC		IGS Price 1 10%	Volume	Savings	IGS Price 2 12%	Volume	Savings	IGS Price 3 NY +1.75	Volume	Savings
	Nov-00									
	Dec-00									
	2001									
	Jan									
	Feb									
	Mar									
	April									
	May									
	June									
	July									
	Aug									
7.40560	Sep									
7.40560	Oct									
7.40560	Nov	5.720	92121.4	$ 155,276.15	5.593	53.3	$ 96.62	3.580	1137.7	$ 4,352.39
6.13410	Dec	4.576	14437.7	$ 22,499.71	4.474	18.8	$ 27.89	4.952	1775.7	$ 2,099.05
	2002									
6.13410	Jan	4.576	41878.2	$ 65,262.99	4.474	498.4	$ 827.39	4.066	2880.0	$ 5,958.13
6.13410	Feb	4.576	21571.2	$ 33,616.56	4.474	429.9	$ 713.67	4.305	2723	$ 4,980.64
5.43820	March	3.832	19421.8	$ 31,187.53	3.747	391.0	$ 661.17	3.756	2769.8	$ 4,659.36
5.43820	April	3.832	8372.4	$ 13,444.40	3.747	346.7	$ 588.26	4.138	1489.4	$ 1,936.52
5.43820	May	3.832	9261.5	$ 14,872.12	3.747	384.2	$ 649.67	5.222	416.2	$ 89.98
6.03530	June	4.365	2589.4	$ 4,326.24	4.268	338.1	$ 597.67	5.069	156.3	$ 151.03
	July									
	Aug									
	Sep									
	Oct									
	Nov									
	Dec									
	Jan									
Total Savings ACA				$ 340,485.69			$4,160.35			$ 24,225.10
Total Savings(EGC)				$2,598,069.52			$2,828.40			$130,929.75
Total Savings(AGC)				$ 340,485.69			$4,160.35			$ 24,225.10
Grand Total per Rate				$2,938,555.20			$6,988.75			$155,154.85
Total Savings				$1,605,069.81						

	IGS Price 4 7.65	Volume	Savings	IGS Price 5 5.99	Volume	Savings	IGS Price 6 5.49	Volume	Savings	IGS Price 7 5.39	Volume	Savings	IGS Price 8 5%	Volume	Savings
Nov	7.65	176.4	$ (43.11)	5.99	973.3	$ 1,377.80	5.49	16107.8	$ 30,656.10	5.39	151.3	$ 304.96			
Dec	7.65	201.6	$ (305.61)	5.99	1356.7	$ 195.50	5.49	131511.0	$ 84,706.24	5.39	1080.1	$ 803.70			
2002									$ -						
Jan	7.65	85.0	$ (128.85)	5.99	2559.7	$ 368.85	5.49	286240	$ 184,366.86	5.39	27833.1	$ 20,710.61	4.82980	2448.6	$ 3,193.71
Feb	7.65	137.0	$ (207.68)	5.99	141053.8	$ 20,325.85	5.49	217127.0	$ 139,851.50	5.39	23832.6	$ 17,733.84	4.82980	28380.7	$ 37,016.95
March	7.65	355.8	$ (786.96)	5.99	210047.7	$ (115,904.32)	5.49	199667.6	$ (10,342.78)	5.39	23057.5	$ 1,111.37	4.40453	46735.2	$ 48,308.77
April	7.65	765.8	$ (1,693.80)	5.99	167776.0	$ (92,578.80)	5.49	149163.4	$ (7,726.66)	5.39	38027.3	$ 1,832.92	4.40453	37431.7	$ 38,692.03
May	7.65	11817.6	$ (26,138.17)	5.99	75283.6	$ (41,541.60)	5.49	66377.6	$ (3,438.36)	5.39	21351.3	$ 1,029.13	4.40453	18785.8	$ 19,418.32
June	7.65	1026.6	$ (1,657.65)	5.99	62706.1	$ 2,840.59	5.49	47919.1	$ 26,130.29	5.39	13833.7	$ 8,926.89	4.60703	21621.0	$ 30,880.63
Total Savings ACA			$ (30,961.82)			$ (224,916.12)			$ 444,403.18			$ 52,453.42			$177,510.40
Total Savings(EGC)			$(772,428.40)			$ (835,644.77)			$ (32,649.63)			$(277,830.63)			$ 6,435.38
Total Savings(AGC)			$ (30,961.82)			$ (224,916.12)			$ 444,403.18			$ 52,453.42			$177,510.40
Grand Total per Rate			$(803,390.22)			$(1,060,560.89)			$ 411,753.55			$(225,377.21)			$183,945.78

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EXHIBIT

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Interstate Gas Supply, Inc.

Columbia Gas of Kentucky Choice Program Analysis

Date	# Customers	Total Sales	Total Usage per DET File	Total usage	GCR Usage compare	EGC Usage compare	IGS Price per MCF	CKY EGC per MCF	Savings per Unit	Total Savings	CKY GCR per MCF	Savings per Unit	Total Savings
Dec-00	12,013	$2,059,417		318,751	318,751		$6.461				$7.671	$1.210	$385,596.76
Jan-01	12,857	$3,138,196		460,146	460,146		$6.820				$7.671	$0.851	$391,400.19
Feb-01	13,890	$2,455,233		359,047	359,047		$6.838				$7.671	$0.832	$298,874.40
Mar-01	23,453	$3,585,254		484,056	484,056		$7.407				$8.898	$1.492	$721,974.22
Apr-01	29,809	$3,191,718		405,902	405,902		$7.863				$8.352	$0.489	$198,335.89
May-01	35,033	$1,337,283		176,352	176,352		$7.583				$8.940	$1.357	$239,335.44
Jun-01	35,968	$1,040,709		129,654	129,654		$8.027				$8.930	$0.903	$117,070.63
Jul-01	35,986	$763,012		100,822	100,822		$7.568				$7.834	$0.266	$26,855.88
Aug-01	35,638	$730,396		107,197	107,197		$6.814				$5.699	($1.115)	($119,480.59)
Sep-01	35,489	$494,464		85,532		85,532	$5.781	$6.358	$0.577	$49,330.52	$7.406	$1.625	$0.00
Oct-01	38,123	$1,058,287		176,491		176,491	$5.996	$6.358	$0.362	$63,806.76	$7.406	$1.409	$0.00
Nov-01	40,946	$2,056,068		343,712		343,712	$5.982	$6.358	$0.376	$129,184.08	$7.406	$1.424	$0.00
Dec-01	44,011	$3,104,259		545,698	148,951	396,747	$5.689	$5.084	($0.605)	($239,837.52)	$6.134	$0.445	$66,356.01
Jan-02	44,151	$6,271,013		1,103,685	321,399	782,286	$5.682	$5.084	($0.598)	($467,642.75)	$6.134	$0.452	$145,339.71
Feb-02	43,933	$5,046,882		893,581	282,517	611,063	$5.648	$5.084	($0.564)	($344,535.91)	$6.134	$0.486	$137,351.50
Mar-02	43,535	$4,719,751		848,957	457,347	391,610	$5.559	$4.258	($1.301)	($509,590.74)	$5.438	($0.121)	($55,462.43)
Apr-02	43,127	$3,228,998		582,702	402,759	179,944	$5.541	$4.258	($1.283)	($230,907.31)	$5.438	($0.103)	($41,572.76)
May-02	42,750	$1,470,245		265,928	217,924	48,004	$5.529	$4.258	($1.271)	($60,990.77)	$5.438	($0.091)	($19,730.82)
Jun-02	42,116	$983,582		179,150	152,998	26,152	$5.490	$4.850	($0.641)	($16,757.58)	$6.030	$0.539	$82,499.40
Jul-02	41,654	$604,834		110,191	95,197	14,994	$5.489	$4.850	($0.639)	($9,587.84)	$6.060	$0.571	$54,315.76
Aug-02	41,174	$565,872		103,033	89,180	13,853	$5.492	$4.850	($0.643)	($8,902.36)	$6.030	$0.537	$47,923.64
Sep-02	40,735	$551,487		102,419	89,229	13,190	$5.385	$4.526	($0.858)	($11,320.92)	$4.783	($0.602)	($53,689.37)
Oct-02	40,092	$787,994		145,025	137,903	7,122	$5.433	$4.526	($0.907)	($6,461.45)	$4.783	($0.651)	($89,718.25)
Nov-02	39,752	$2,199,855		404,938	404,938	0	$5.433	$4.526	($0.906)	$0.00	$4.783	($0.650)	($263,076.33)
Dec-02	39,208	$4,794,485		859,184	859,184	0	$5.580	$5.457	($0.124)	$0.00	$5.732	$0.152	$130,355.37
Jan-03	38,656	$6,108,258		1,061,288	1,061,288		$5.756	$5.457	($0.299)	$0.00	$5.732	($0.024)	($24,950.88)
Feb-03	38,406	$6,879,119		1,157,357	1,157,357		$5.944	$5.457	($0.487)	$0.00	$5.732	($0.212)	($245,151.38)
Mar-03	38,143	$5,620,276		890,322	890,322		$6.313	$7.181	$0.869	$0.00	$7.566	$1.253	$1,115,804.32
Apr-03	37,828	$2,910,867		430,920	430,920		$6.755	$9.167	$2.412	$0.00	$9.552	$2.797	$1,205,192.19
Totals		$77,757,814		12,832,038	9,741,338	3,090,700				($1,664,213.79)		$15.523	$4,451,748.50
Averages	36,154						$6.202				$6.737		
										$2,787,534.71			

EXHIBIT

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Interstate Gas Supply, Inc.

Columbia Gas of Kentucky Choice Program Analysis

Date	# Customers	Total Sales	Total usage	IGS Price per MCF	EGC Usage compare	CKY EGC per MCF	Savings per Unit	Total Savings Comparison EGC	GCR Usage compare	CKY GCR per MCF	Savings per Unit	Total Savings Comparison GCR	Total Savings Comparison
Dec-00	12,013	$2,059,417	318,751	$6.461					318,751	$7.671	$1.210	$385,596.76	$385,596.76
Jan-01	12,857	$3,138,196	460,146	$6.820					460,146	$7.671	$0.851	$391,400.19	$391,400.19
Feb-01	13,890	$2,455,233	359,047	$6.838					359,047	$7.671	$0.832	$298,874.40	$298,874.40
Mar-01	23,453	$3,585,254	484,056	$7.407					484,056	$8.898	$1.492	$721,974.22	$721,974.22
Apr-01	29,809	$3,191,718	405,902	$7.863					405,902	$8.352	$0.489	$198,335.89	$198,335.89
May-01	35,033	$1,337,283	176,352	$7.583					176,352	$8.940	$1.357	$239,335.44	$239,335.44
Jun-01	35,968	$1,040,709	129,654	$8.027					129,654	$8.930	$0.903	$117,070.63	$117,070.63
Jul-01	35,986	$763,012	100,822	$7.568					100,822	$7.834	$0.266	$26,855.88	$26,855.88
Aug-01	35,638	$730,396	107,197	$6.814					107,197	$5.699	($1.115)	($119,480.59)	($119,480.59)
Sep-01	35,489	$494,464	85,532	$5.781	85,532	$6.358	$0.577	$49,330.52		$7.406	$1.625	$0.00	$49,330.52
Oct-01	38,123	$1,058,287	176,491	$5.996	176,491	$6.358	$0.362	$63,806.76		$7.406	$1.409	$0.00	$63,806.76
Nov-01	40,946	$2,056,068	343,712	$5.982	343,712	$6.358	$0.376	$129,184.08		$7.406	$1.424	$0.00	$129,184.08
Dec-01	44,011	$3,104,259	545,698	$5.689	400,234	$5.084	($0.605)	($241,945.70)	145,463	$6.134	$0.445	$64,802.40	($177,143.30)
Jan-02	44,151	$6,271,013	1,103,685	$5.682	784,444	$5.084	($0.598)	($468,932.60)	319,241	$6.134	$0.452	$144,363.97	($324,568.63)
Feb-02	43,933	$5,046,882	893,581	$5.648	610,514	$5.084	($0.564)	($344,226.05)	283,067	$6.134	$0.486	$137,618.68	($206,607.37)
Mar-02	43,535	$4,719,751	848,957	$5.559	418,602	$4.258	($1.301)	($544,714.22)	430,355	$5.438	($0.121)	($52,189.15)	($596,903.37)
Apr-02	43,127	$3,228,998	582,702	$5.541	202,983	$4.258	($1.283)	($260,471.46)	**379,720**	$5.438	($0.103)	($39,194.67)	($299,666.13)
May-02	42,750	$1,470,245	265,928	$5.529	85,515	$4.258	($1.271)	($108,649.72)	180,413	$5.438	($0.091)	($16,334.59)	($124,984.31)
Jun-02	42,116	$983,582	179,150	$5.490	43,654	$4.850	($0.641)	($27,972.29)	135,496	$6.030	$0.539	$73,062.15	$45,089.86
Jul-02	41,654	$604,834	110,191	$5.489	28,444	$4.850	($0.639)	($18,188.49)	81,747	$6.060	$0.571	$46,641.57	$28,453.08
Aug-02	41,174	$565,872	103,033	$5.492	28,617	$4.850	($0.643)	($18,390.11)	74,416	$6.030	$0.537	$39,989.67	$21,599.56
Sep-02	40,735	$551,487	102,419	$5.385	24,358	$4.526	($0.858)	($20,906.81)	78,061	$4.783	($0.602)	($46,969.30)	($67,876.11)
Oct-02	40,092	$787,994	145,025	$5.433	31,478	$4.526	($0.907)	($28,556.89)	113,547	$4.783	($0.651)	($73,872.54)	($102,429.43)
Nov-02	39,752	$2,199,855	404,938	$5.433	51,799	$4.526	($0.906)	($46,943.97)	**353,139**	$4.783	($0.650)	($229,424.01)	($276,367.98)
Dec-02	39,208	$4,794,485	859,184	$5.580	60,087	$5.457	($0.124)	($7,425.53)	**799,097**	$5.732	$0.152	$121,239.00	$113,813.47
Jan-03	38,656	$6,108,258	1,061,288	$5.756	11,743	$5.457	($0.299)	($3,508.90)	1,049,545	$5.732	($0.024)	($24,674.80)	($28,183.70)
Feb-03	38,406	$6,879,119	1,157,357	$5.944	17,930	$5.457	($0.487)	($8,734.11)	1,139,427	$5.732	($0.212)	($241,353.43)	($250,087.54)
Mar-03	38,143	$5,620,276	890,322	$6.313	12,593	$7.181	$0.869	$10,937.34	877,729	$7.566	$1.253	$1,100,022.65	$1,110,959.99
Apr-03	37,828	$2,910,867	430,920	$6.755	18,785	$9.167	$2.412	$45,310.39	**412,135**	$9.552	$2.797	$1,152,655.33	$1,197,965.72
May-03	37,490	$1,564,198	223,732	$6.991	46,743	$9.167	$2.176	$101,698.78	176,989	$9.552	$2.560	$453,165.17	$554,863.95
Totals		$77,757,814	12,832,038		3,437,514			($1,749,298.98)	9,394,524			$4,869,510.92	$3,120,211.94
Averages	36,199			$6.202						$6.737			

EXHIBIT

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D

Columbia Gas® of Kentucky
A NiSource Company

P.O. Box 14241
2001 Mercer Road
Lexington, KY 40512-4241

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PUBLIC SERVICE COMMISSION

July 24, 2003

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

RE: Case No. 1999-00165

Dear Mr. Dorman:

Please find enclosed an original and eight copies of Columbia's Responses to the Commission's First Data Request and the requests of the Community Action Council and Interstate Gas Supply. A Certificate of Service is attached hereto.

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy M. Cooper

Judy M. Cooper
Manager, Regulatory Policy

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Columbia Gas of Kentucky Responses to Data Requests was served upon the parties on the attached Service List by regular U.S. Mail this 24th day of July, 2003.

Stephen B. Seiple (gmc)

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

SERVICE LIST

Hon. Richard S. Taylor
Attorney at Law
225 Capital Avenue
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

Mr. Jack Burch
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

Mr. Brian Dingwell
Vice President, Regulatory Affairs
United Gas
3520 New Hartford Road, Suite 103
Owensboro, KY 42303 1781

Hon. Craig G. Goodman
Hon. Stacey L. Rantala
Hon. Heather L. Master
National Energy Marketers Association
3333 K Street, N.W., Suite 110
Washington, D.C. 20007

Columbia Gas of Kentucky
A NiSource Company

P.O. Box 14241
2001 Mercer Road
Lexington, KY 40512-4241

(after 4pm filing)
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JUN 0 2 2003

PUBLIC SERVICE
COMMISSION

June 2, 2003

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits its annual report on its Customer CHOICE^{SM} program. An original and six copies are enclosed.

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

Customer Choice℠

Make a Choice. Take Control.

Columbia Gas of Kentucky, Inc.
Customer Choice^{SM} Program
Annual Report

June 2, 2003

Customer Choice[SM]

Make a Choice. Take Control.

Columbia Gas of Kentucky, Inc.
Customer Choice[SM] Program Annual Report
Table of Contents

Introduction

Columbia Gas of Kentucky's ("Columbia") application requesting approval of its Customer Choice Program described an annual report to be filed with the Kentucky Public Service Commission ("Commission"). This third annual report will summarize the Program and its progress over the last year. In addition, the report will benchmark the progress of the Program so far against the six stated goals of the Program as listed in Columbia's initial Choice Application.

Columbia identified six primary goals that it believed would be critical to the success of the Program. These goals were used as a guide when developing the details of the Program with the Customer Choice Collaborative and stated clearly in the application to the Commission. The members of the Collaborative are 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, FSG Energy Services, a marketing subsidiary of Wisconsin Public Service Resources Corporation, provided valuable input as well. The stated goals are listed below along with a summary of the progress to date on each.

- The program must provide an opportunity for customers to save money on their gas bills.

At the time of the filing of the first Customer Choice annual report Columbia was extremely pleased with the level of customer savings through the first six months of the Program. Customers had saved a total of $1,458,148 on gas costs from November 2000 through the first six months. To put this into perspective, the typical residential customer using an average of 8 MCF per month throughout the year paid $59.29 per month for natural gas from Columbia. This same customer would have saved more than $71 over a full year if enrolled under the 10% off of Columbia's gas cost offer accepted by most customers. In effect, this customer would have saved enough through the Customer Choice Program to have received more than one month's gas free.

Tight supplies causing higher wholesale natural gas prices combined with record-breaking cold temperatures in December 2001 focused customers on their gas bills, particularly the gas cost portion of the bill. Combined with easy to understand, no-risk offers from marketers such as 10% off of Columbia's gas cost prompted customer enrollments into Choice at a pace far exceeding everyone's expectations. As of May 2002, 50,834 customers representing approximately 36% of eligible customers had enrolled with a marketer. As of May 2003, the latest numbers available, 46,095 customers representing approximately 33% of eligible customers had enrolled with a marketer. This is a decline of 4,739 customers, or 9% of participating customers from May 2002. Clearly, customer enrollments have declined and to a greater extent than was reported last year, interest in the Program has subsided.

During the last year, wholesale prices have again shown their volatility and Columbia's gas costs have steadily increased. At the same time, marketers have offered fixed price rates which generally increased compared to Columbia's cost. In most months, customers had a choice of fixed rates from two marketers. The third marketer was not accepting new customer enrollments for thirteen months until May 2003. For numerous customers, the fixed price rate they paid exceeded Columbia's gas cost. As a result, Choice customers have now paid a total of $3,409,821 more in gas costs than they would have had they been a sales customer of Columbia. This is a grand total from the beginning of the program through March 2003.

Near the end of March 2003, this trend reversed itself and for the months of April and May 2003 most participating customers saved money on their gas bills, a prime goal of the program. The statistics are not yet available however, it is expected that the aggregate savings will not erase the hole that has been dug.

- 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.

Once a marketer is deemed credit-worthy to participate in the Choice Program, Columbia and the marketer execute an aggregation agreement. According to the terms of these aggregation agreements, marketers agree to contract for firm, primary point delivery entitlements on the interstate pipeline. Under the aggregation agreement Columbia has the right and the obligation to contact marketers and ask that they verify their contracts for firm pipeline entitlements.

In early January 2002, Columbia sent letters to the two marketers serving Choice volumes with the marketers' own capacity requesting verification of their firm pipeline contracts. It became apparent that those marketers did not obtain the required firm, primary point delivery entitlements on the interstate pipeline.

The lack of the marketers to provide verification prompted Columbia to seek to amend its tariff for Small Volume Aggregation Service. In Docket No. 2002-00117, Columbia requested that the Commission eliminate the "grandfathering" of Phase I volumes and permit Columbia to require marketers to take mandatory assignment of Columbia's capacity for all Choice volumes. One marketer protested Columbia's proposal and expressed the necessity for balance between Columbia's needs and those of Choice suppliers to capture savings for end-users. Columbia and the marketer entered into a Settlement that was approved by the Commission on January 13, 2003. Marketers now take assignment of minimum levels of Columbia's storage and transportation capacity and undergo a prospective capacity audit applicable to the winter season. If the audit determines that the marketer does not have the required firm pipeline contracts, Columbia can assign capacity to meet the marketer's capacity shortfall and the marketer is required to accept the assignment.

- The program should be revenue neutral for Columbia, and must allow Columbia to recover its stranded costs and incremental program expenses.

  Columbia still believes that this goal is appropriate for the pilot program.

- 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.

Columbia continues to believe that this goal is as appropriate today as it was when the Program was designed and that this goal has been accomplished through the model approved by the Commission.

- 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 the Customer CHOICE Program.

This goal also continues to be as appropriate today as it was when the Program was designed.

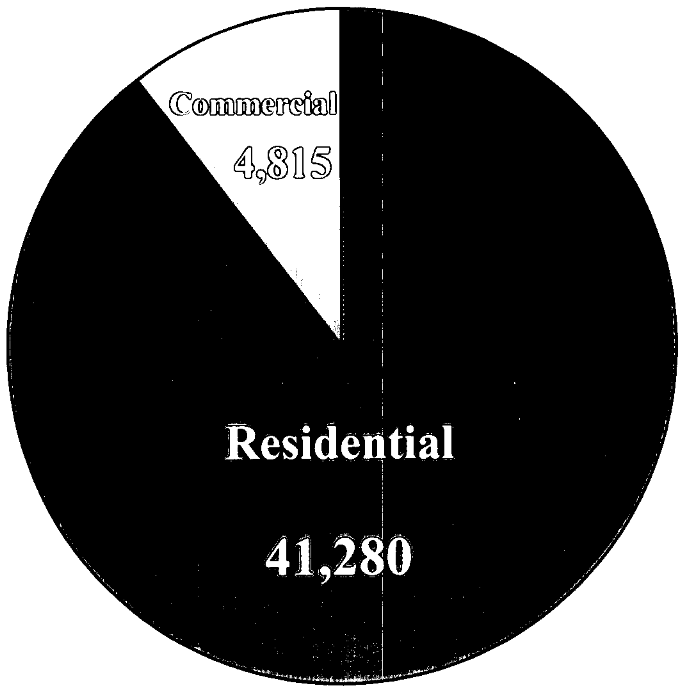
- Customer education is critical to the success of the program and customers must have an opportunity to learn about the program for a period of time before they begin to receive offers from marketers.

This goal was also accomplished by the Commission allowing for a customer education period prior to when marketers would be allowed to contact customers and enroll them into the Program.

Customer Choice

Make a Choice. Take Control.

Residential & Commercial Customer Participation



As of May 15, 2003

Customer Choice

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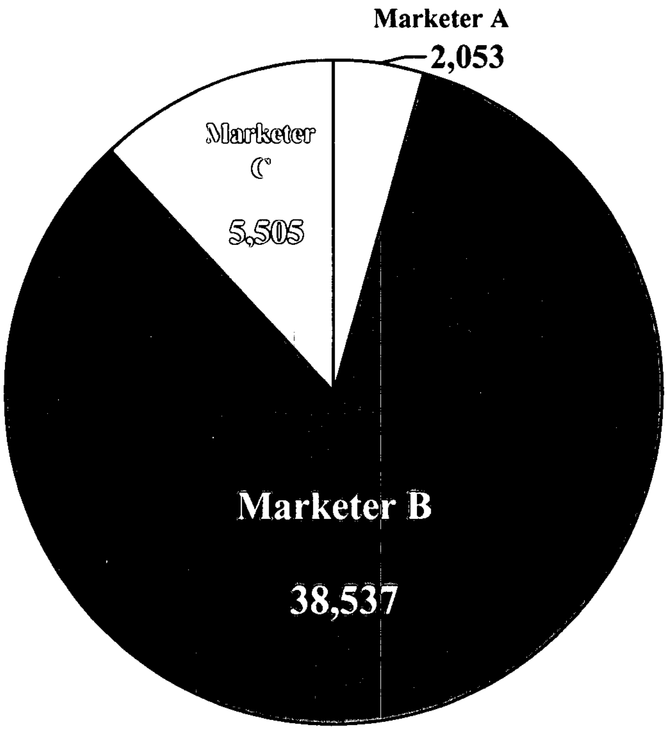
Marketer Enrollment



Note: In an effort to avoid undue influence in a competitive market, marketer data for this report will not be identified by specific marketer name.

As of May 15, 2003

Customer Choice
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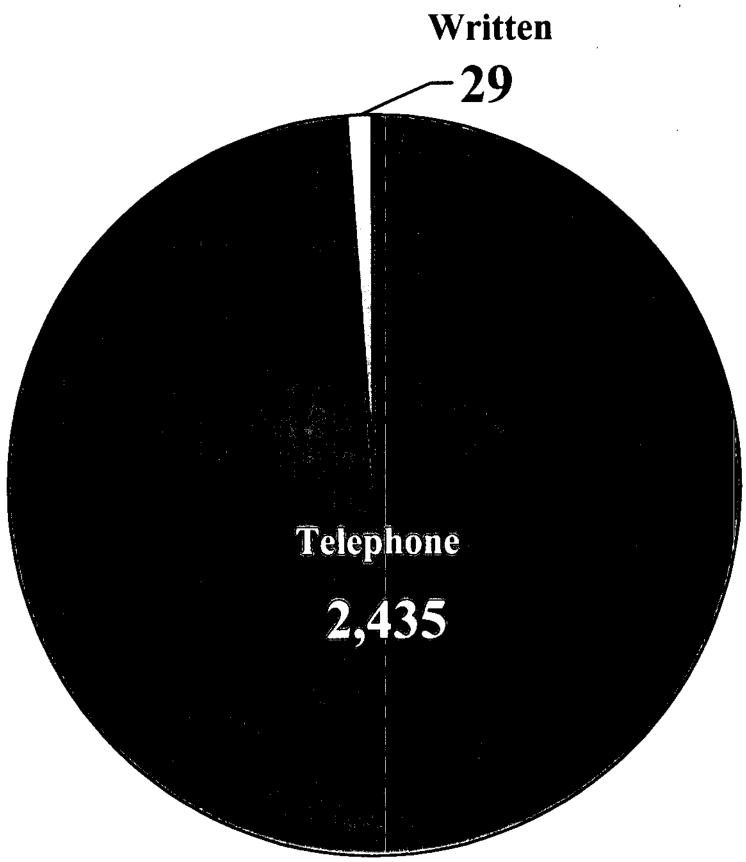
Methods of Enrollment



As of May 15, 2003

Customer Choice

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Total Volumes Purchased From Marketers By Participating Customers (Mcf)

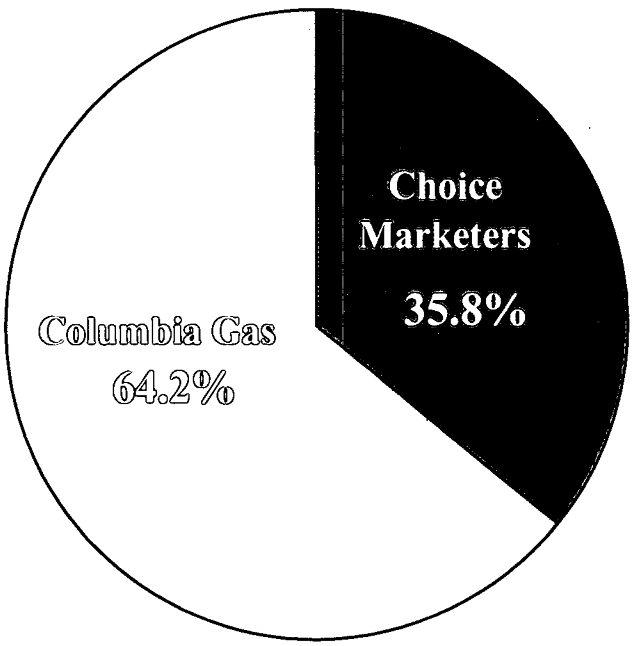
Total = 6,791,129 Mcf Annually

As of May 30, 2003

Customer Choice

Make a Choice. Take Control.

Percentage of Customer Participation By Volume



35.8 percent of total eligible throughput is being supplied by a Choice marketer.

As of May 15, 2003

Certified Marketers

Community Action Council Buyers Club, Inc.
Jim Christian
P.O. Box 11610
Lexington, KY 40576
800-244-2275

Interstate Gas Supply, Inc.
Dave Burig, Customer Choice Program Director
5020 Bradenton Avenue
Dublin, Ohio 43017
800-280-4474

MxEnergy.com, Inc.
Anita Blake
20 Summer Street
Stamford, Connecticut 06901
800-785-4373

Rates Charged by Marketers

The following marketer rates are not identified by marketer name in order to avoid undue influence in a competitive market.

Marketer	Rates as of 5/1/03
A	$8.99 per Mcf
B	5% off Columbia's GCR 2% off Columbia's GCR $7.89 per Mcf $6.8960 per Mcf $6.3830 per Mcf $5.99 per Mcf $7.99 per Mcf $5.39 per Mcf $6.4380 per Mcf $6.9830 per Mcf $6.4830 per Mcf
C	$6.999 per Mcf $5.39 per Mcf $5.05 per Mcf $6.09 per Mcf $7.99 per Mcf $6.99 per Mcf $5.99 per Mcf $10.3190 per Mcf $5.89 per Mcf $5.49 per Mcf $6.49 per Mcf

Customer Education

Research conducted in late 2000 indicated strong awareness of the Customer Choice Program among Columbia Gas of Kentucky customers. As a result, the focus of the company's customer education efforts during 2001 and 2002 shifted to keeping customers informed of specific elements of the Choice Program at their request.

Web Site

Columbia's Web site – www.columbiagasky.com – continues to provide customers with an overview of the Choice Program, answers to frequently asked questions, and contact information, including toll-free phone numbers and Web site links, for participating marketers. A convenient Ask Us form is provided for those customers who have more specific questions regarding the Customer Choice Program.

Customers can use the Columbia Gas of Kentucky Web site to request a speaker to address their organization by completing and submitting an online speaker request form.

Community Presentations

As knowledge of the Customer Choice Program increased, the number of requests for speakers on the subject declined. Columbia representatives remain available to make presentations, answer questions and providing information about the Choice Program. Columbia continues to provide this service for organizations who request it.

Media Requests

Requests for interviews by print and electronic media were numerous following the announcement of the Customer Choice Program, but as customers became more educated about the program and its newness wore off, media coverage has decreased. However, the Choice Program was the subject of 2 print articles in 2002.

Customer Contact Center Training

Columbia Customer Service Specialists in the Lexington Customer Contact Center are updated regularly on the Customer Choice Program. The Customer Contact Center received 2,075 calls from May 2002 through April 2003 from customers seeking information about the Customer Choice Program.

Stranded Costs

The amount of stranded costs incurred under the program to date; and the amount of revenue, to date, realized from opportunities developed to off-set stranded costs under the program.

Transition Capacity Costs	$17,617,074
Information Technology Costs	$94,208
Education Costs	$232,485
Total	**$17,943,767**

Revenue to Off-Set Stranded Costs

Revenues Generated to Recover Stranded Costs, to date:

Off-System Sales	$6,829,741
Balancing Charge	$2,637,822
Marketer Contribution	$757,894
Capacity Assignment	$9,391,126
Total	**$19,616,583**

Note: It was expected that revenue opportunities should exceed stranded costs in the early years of the program but reverse in the later years of the program for two primary reasons. First, transition capacity costs will increase as customer participation increases. Customer participation increased greater initially that expected resulting in greater stranded cost initially than expected. Second, revenue opportunities decrease with greater customer participation as there are fewer opportunities to make off-system sales. This occurs because the size of Columbia's merchant function is reduced at the same time that its capacity asset portfolio has declined.

Columbia Gas® of Kentucky

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2001 Mercer Road
Lexington, KY 40512-4241

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PUBLIC SERVICE
COMMISSION

June 2, 2003

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being marketed by participating suppliers in Columbia's Customer CHOICE^{SM} program.

Interstate Gas Supply (IGS) - $7.89/Mcf fixed price thru March 2004
5% discount off Columbia's price thru March 2004, subject to acceptance by IGS

MX Energy – Fixed price of $8.74/Mcf thru October 2004

CAC Buyers Club - Variable price $8.00/ Mcf; no term

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas of Kentucky
A NiSource Company

P.O. Box 14241
2001 Mercer Road
Lexington, KY 40512-4241

(after 4pm filing)

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JUN 2 2003

PUBLIC SERVICE COMMISSION

June 2, 2003

Mr. John Rogness
Manager, Management Audit Section
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Rogness:

Pursuant to audit recommendation A.3.2, Columbia Gas of Kentucky, Inc., ("Columbia") hereby reports to the Commission its intentions concerning continuation of the Choice program until October 2004.

Columbia does not intend to continue the Customer Choice Program until October 2004, as approved in Case No. 1999-00165. Columbia intends to soon file an application seeking to terminate the program March 31, 2004.

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

DROP BOX

Columbia Gas® of Kentucky

A NiSource Company

P.O. Box 14241
2001 Mercer Road
Lexington, KY 40512-4241

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MAY 2 2003

PUBLIC SERVICE COMMISSION

May 1, 2003

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being marketed by participating suppliers in Columbia's Customer CHOICE^{SM} program.

Interstate Gas Supply (IGS) - $7.89/Mcf fixed price thru March 2004
5% discount off Columbia's price thru March 2004

MX Energy – Fixed price of $8.98/Mcf thru October 2004

CAC Buyers Club - Variable price $8.99/ Mcf; no term

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas®
of Kentucky
A NiSource Company

P.O. Box 14241
2001 Mercer Road
Lexington, KY 40512-4241

April 1, 2003

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APR 0 2 2003
PUBLIC SERVICE COMMISSION

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being marketed by participating suppliers in Columbia's Customer CHOICE[SM] program.

Interstate Gas Supply (IGS) - Currently not enrolling new customers

MX Energy – Fixed price of $8.45/Mcf for 30 months

CAC Buyers Club - Variable price $7.47/ Mcf; no term

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas of Kentucky
A NiSource Company

P.O. Box 14241
2001 Mercer Road
Lexington, KY 40512-4241

RECEIVED

MAR 03 2003

PUBLIC SERVICE
COMMISSION

March 3, 2003

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being marketed by participating suppliers in Columbia's Customer CHOICE[SM] program.

Interstate Gas Supply (IGS) - Currently not enrolling new customers

MX Energy – Fixed price of $8.45/Mcf for 30 months

CAC Buyers Club - Variable price $7.77/ Mcf; no term

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas® of Kentucky
A NiSource Company
P.O. Box 14241
2001 Mercer Road
Lexington, KY 40512-4241

February 3, 2003

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

RECEIVED
FEB 03 2003
PUBLIC SERVICE COMMISSION

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being marketed by participating suppliers in Columbia's Customer CHOICE℠ program.

Interstate Gas Supply (IGS) - Currently not enrolling new customers

MX Energy – Fixed price of $7.49/Mcf for 2 year term

CAC Buyers Club - Variable price $5.09/ Mcf; no term

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy M Cooper

Judy M. Cooper

cc: Becky Phillips

C

Columbia Gas® of Kentucky

A NiSource Company

P.O. Box 14241
2001 Mercer Road
Lexington, KY 40512-4241

RECEIVED

JAN 06 2003

PUBLIC SERVICE COMMISSION

January 6, 2003

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being marketed by participating suppliers in Columbia's Customer CHOICE^{SM} program.

Interstate Gas Supply (IGS) - Currently not enrolling new customers

MX Energy – Fixed price of $6.99/Mcf for 2 year term

CAC Buyers Club - Variable price $4.99/ Mcf; no term

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas® of Kentucky
A NiSource Company

P.O. Box 14241
2001 Mercer Road
Lexington, KY 40512-4241

RECEIVED
DEC 0 2 2002
PUBLIC SERVICE COMMISSION

December 1, 2002

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being marketed by participating suppliers in Columbia's Customer CHOICE℠ program.

Interstate Gas Supply (IGS) - Currently not enrolling new customers

MX Energy – Fixed price of $6.99/Mcf for 2 year term

CAC Buyers Club - Variable price $4.91/ Mcf; no term

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas® of Kentucky
A NiSource Company

P.O. Box 14241
2001 Mercer Road
Lexington, KY 40512-4241

RECEIVED
NOV 0 4 2002
PUBLIC SERVICE COMMISSION

November 4, 2002

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being marketed by participating suppliers in Columbia's Customer CHOICE^{SM} program.

Interstate Gas Supply (IGS) - Currently not enrolling new customers

MX Energy – Fixed price of $6.99/Mcf for 2 year term

CAC Buyers Club - Variable price $4.48/ Mcf; no term

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas of Kentucky
A NiSource Company

P.O. Box 14241
2001 Mercer Road
Lexington, KY 40512-4241

RECEIVED
OCT 03 2002
PUBLIC SERVICE COMMISSION

October 2, 2002

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being marketed by participating suppliers in Columbia's Customer CHOICE^{SM} program.

Interstate Gas Supply (IGS) - Currently not enrolling new customers

MX Energy – Fixed price of $7.49/Mcf for 1 year term

CAC Buyers Club - Variable price $4.48/ Mcf; no term

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy M. Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas® of Kentucky
A NiSource Company

P.O. Box 14241
2001 Mercer Road
Lexington, KY 40512-4241

September 3, 2002

RECEIVED

SEP 04 2002

PUBLIC SERVICE COMMISSION

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being marketed by participating suppliers in Columbia's Customer CHOICE^{SM} program.

Interstate Gas Supply (IGS) - Currently not enrolling new customers

MX Energy – Fixed price of $6.49/Mcf for 1 or 2 year term

CAC Buyers Club - Variable price $3.96/ Mcf; no term

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas® of Kentucky
A NiSource Company

P.O. Box 14241
Lexington, KY 40512
(859) 288.0215
Fax: (859) 288.0258

August 1, 2002

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

RECEIVED
AUG 0 1 2002
PUBLIC SERVICE COMMISSION

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being marketed by participating suppliers in Columbia's Customer CHOICE^{SM} program.

Interstate Gas Supply (IGS) - Currently not enrolling new customers

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CAC Buyers Club - Variable price $3.62/ Mcf; no term

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas of Kentucky
A NiSource Company

P.O. Box 14241
Lexington, KY 40512
(859) 288.0215
Fax: (859) 288.0258

July 2, 2002

RECEIVED
JUL 02 2002
PUBLIC SERVICE COMMISSION

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being marketed by participating suppliers in Columbia's Customer CHOICE℠ program.

Interstate Gas Supply (IGS) - Currently not enrolling new customers

MX Energy – Fixed price of $6.49/Mcf for 1 or 2 year term

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Judy M. Cooper

cc: Becky Phillips

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A NiSource Company

P.O. Box 14241
Lexington, KY 40512
(859) 288.0215
Fax: (859) 288.0258

RECEIVED
JUN 03 2002
PUBLIC SERVICE
COMMISSION

Mr. Thomas M. Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

June 3, 2002

Dear Mr. Dorman

Pursuant to the Commission's Orders of January 27, 2000, March 6, 2000 and May 19, 2000 in Case No. 99-165, Columbia Gas of Kentucky, Inc. hereby files its Annual Report on the Customer CHOICE^{SM} program. An original and six copies of the report are enclosed.

If you have any questions, please call me at (859) 288-0242. Thank you.

Sincerely,

Judy Cooper

Judy M. Cooper
Manager, Regulatory Policy

Enclosures

Customer Choice℠

Make a Choice. Take Control.

Columbia Gas of Kentucky, Inc.
Customer Choice℠ Program
Annual Report

June 3, 2002

Customer Choice[SM]

Make a Choice. Take Control.

Columbia Gas of Kentucky, Inc.
Customer Choice[SM] Program Annual Report
Table of Contents

Introduction

Columbia Gas of Kentucky's ("Columbia") application requesting approval of its Customer Choice Program described an annual report to be filed with the Kentucky Public Service Commission ("Commission"). This second annual report will summarize the Program and its progress over the last year. In addition, the report will benchmark the progress of the Program so far against the six stated goals of the Program as listed in Columbia's initial Choice Application.

Columbia identified six primary goals that it believed would be critical to the success of the Program. These goals were used as a guide when developing the details of the Program with the Customer Choice Collaborative and stated clearly in the application to the Commission. The members of the Collaborative are 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, FSG Energy Services, a marketing subsidiary of Wisconsin Public Service Resources Corporation, provided valuable input as well. The stated goals are listed below along with a summary of the progress to date on each.

- The program must provide an opportunity for customers to save money on their gas bills.

At the time of the filing of the first Customer Choice annual report Columbia was extremely pleased with the level of customer savings through the first six months of the Program. Customers had saved a total of $1,458,148 on gas costs from November 2000 through the first six months. To put this into perspective, the typical residential customer using an average of 8 MCF per month throughout the year paid $59.29 per month for natural gas from Columbia. This same customer would have saved more than $71 over a full year if enrolled under the 10% off of Columbia's gas cost offer accepted by most customers. In effect, this customer would have saved enough through the Customer Choice Program to have received more than one month's gas free.

Tight supplies causing higher wholesale natural gas prices combined with record-breaking cold temperatures in December focused customers on their gas bills, particularly the gas cost portion of the bill. Combined with easy to understand, no-risk offers from marketers such as 10% off of Columbia's gas cost prompted customer enrollments into Choice at a pace far exceeding everyone's expectations. As of May 2001, 42,888 customers representing approximately 30.6% of eligible customers and 36.2% of eligible volumes had enrolled with a marketer. As of May 2002, the latest numbers available, 50,834 customers representing approximately 36% of eligible customers had enrolled with a marketer. Clearly, the fact that only an additional 7,946 customers, or another 6% of eligible customers, enrolled in the last year indicates that new interest in the Program has subsided and the number of customer enrollments has probably plateaued.

During the last year, however, wholesale prices have stabilized and Columbia's gas costs have dropped significantly. At the same time, marketers switched from offering guaranteed savings rates, such as 10% off of Columbia's cost, to offering fixed price rates. In most cases, the fixed price rate being paid by many customers is now above Columbia's gas cost. As a result, Choice customers have now paid a total of $813,742 more in gas costs than they would have had they remained a sales customer of Columbia. This is a grand total from the beginning of the program through March 2002.

While this trend may reverse itself again in the coming months, today customers have not saved money on their gas bills, a prime goal of the program.

- 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.

Once a marketer is deemed credit-worthy to participate in the Choice Program, Columbia and the marketer execute an aggregation agreement. According to the terms of these aggregation agreements, marketers agree to contract for firm, primary point delivery entitlements on the interstate pipeline. Under the aggregation agreement Columbia has the right and the obligation to contact marketers and ask that they verify their contracts for firm pipeline entitlements. This obligation is also reflected on sheets 36e and 36f of Columbia's tariff.

Columbia sent letters to the two marketers serving Choice volumes with the marketers' own capacity in early January 2002 requesting verification of their firm pipeline contracts. It became apparent that those marketers did not obtain the required firm, primary point delivery entitlements on the interstate pipeline. Without primary firm contracts, there is a risk that the marketers could fail to deliver adequate supplies to meet the needs of their residential and commercial customers. During times of high demand those marketers with firm pipeline contracts will receive the gas their customers need; however, those marketers without the firm pipeline contracts may not be able to deliver the quantities required to serve their customers.

Should a marketer not be able to deliver to its customers, Columbia would need to serve as the supplier of last resort to ensure that customers do not lose natural gas service. While Columbia accepted the role of supplier of last resort for the Choice Program, it did so only with the provision in the tariff and aggregation agreements that marketers obtain firm pipeline contracts to ensure delivery of supplies to their customers. In its Customer Choice Application Columbia submitted that one of the six goals of the program was to "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." However, Columbia's Application also emphasized that "reliability is a major emphasis of the program." That is why marketers must agree, as a condition of being certified to participate in the Choice Program, to demonstrate that they have the firm, primary point capability to reliably serve program customer requirements.

According to Columbia's tariff and aggregation agreements, if a marketer does not abide by the program requirements Columbia's only enforcement option is to suspend or terminate the marketer from the Choice Program. In order to avoid termination of marketer participation in the Choice Program, Columbia proposed an alternative solution on March 15, 2002. Columbia proposed that capacity assignment would become mandatory for all Choice customer demand. This approach would allow customers enrolled with marketers to continue to receive service from their marketer with the firm reliability that is required, and protect Columbia from having to find pipeline capacity on a peak day because of the failure of a marketer that did not live up to its aggregation agreement. It would also protect the marketers from being penalized severely for a failure to perform.

It now appears that the savings generated by the Program in the first six months, and the negative savings generated since then, were produced with marketers serving customers with their own pipeline capacity by placing a great risk on both Columbia and its customers. Columbia believes strongly in an equitable risk/reward model. This current arrangement, however, allows the marketers to reap the rewards while Columbia and its customers bear all of the risk.

- The program should be revenue neutral for Columbia, and must allow Columbia to recover its stranded costs and incremental program expenses.

The extremely rapid acceleration of enrollment into the Program caused stranded costs to rise much faster than anticipated. As a result, on April 2, 2001 Columbia informed the Commission and the Choice Program marketers that it had become necessary to invoke Phase II of the Program, effective July 1, 2001. Under Phase II Columbia would assign its capacity to marketers for all new Choice customers in order to permit Columbia to manage the substantial risk of financial exposure from stranded costs at the end of the program. Columbia still believes that this goal is appropriate.

- 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.

This goal is as appropriate today as it was when the Program was designed. Columbia believes recovery of stranded costs in a transparent manner enables customers to better understand the choice they make. Columbia also believes this goal has been accomplished through the model approved by the Commission.

- 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 the Customer CHOICE Program.

This goal is also as appropriate today as it was when the Program was designed. In fact, the addition of the Actual Gas Cost Adjustment on Choice customers' bills helped ensure that Columbia's sales customers would not incur any additional charges because of Choice. Columbia believes this goal has been accomplished.

- 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.

This goal was also accomplished by the Commission allowing for a customer education period prior to when marketers would be allowed to contact customers and enroll them into the Program.

Customer Choice℠

Make a Choice. Take Control.

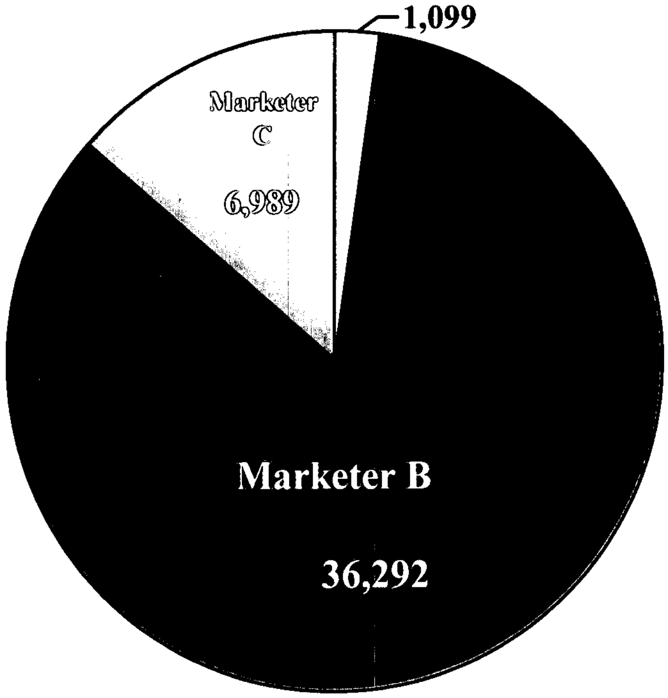
Residential & Commercial Customer Participation

As of May 15, 2002

Customer Choice[SM]

Make a Choice. Take Control.

Marketer Enrollment



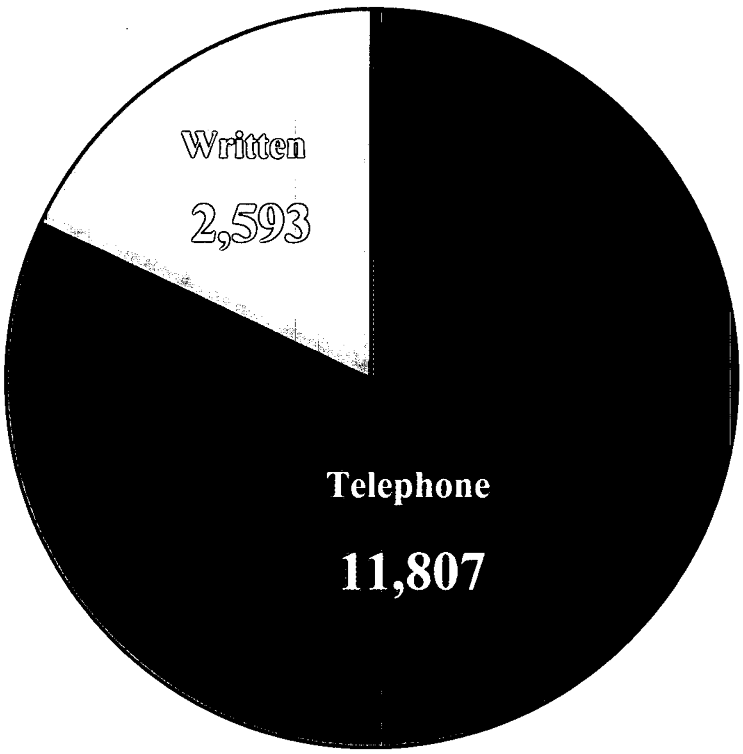
Note: In an effort to avoid undue influence in a competitive market, marketer data for this report will not be identified by specific marketer name.

As of May 15, 2002

Customer Choice

Make a Choice. Take Control.

Methods of Enrollment



As of May 15, 2002

Customer Choice
Make a Choice. Take Control.

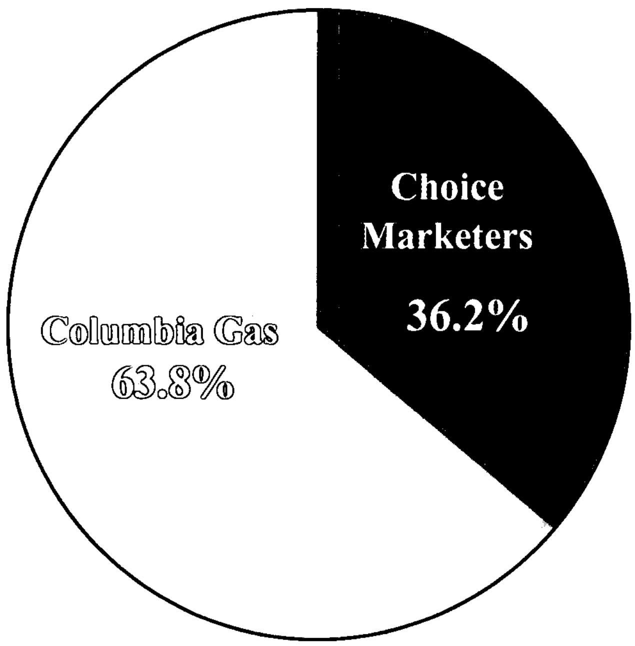
Total Volumes Purchased From Marketers By Participating Customers (Mcf)

Total = 7,330,996 Mcf Annually

As of May 15, 2002

Customer Choice
Make a Choice. Take Control.

Percentage of Customer Participation By Volume



36.2 percent of total eligible throughput is being supplied by a Choice marketer.

As of May 15, 2002

Certified Marketers

Community Action Council Buyers Club, Inc.
Jim Christian
P.O. Box 11610
Lexington, KY 40576
800-244-2275

Interstate Gas Supply, Inc.
Dave Burig, Customer Choice Program Director
5020 Bradenton Avenue
Dublin, Ohio 43017
800-280-4474

MxEnergy.com, Inc.
Robert Blake
745 West Main Street, Suite 100
Louisville, Kentucky 40202
800-785-4373

Rates Charged by Marketers

The following marketer rates are not identified by marketer name in order to avoid undue influence in a competitive market.

Marketer	Rates as of 6/1/01
A	$3.62 per Mcf
B	10% off Columbia's GCR 12% off Columbia's GCR 5% off Columbia's GCR 2% off Columbia's GCR $5.069 per Mcf $7.65 per Mcf $5.99 per Mcf $7.58 per Mcf $5.49 per Mcf $5.39 per Mcf
C	10% off Columbia's GCR $6.999 per Mcf $5.39 per Mcf $5.05 per Mcf $6.09 per Mcf $8.25 per Mcf $7.99 per Mcf $7.49 per Mcf $6.99 per Mcf $5.99 per Mcf $5.89 per Mcf $5.9488 per Mcf $5.49 per Mcf $6.49 per Mcf

Customer Education

Research conducted in late 2000 indicated strong awareness of the Customer Choice Program among Columbia Gas of Kentucky customers. As a result, the focus of the company's customer education efforts during 2001 shifted to keeping customers informed of specific elements of the Choice Program at their request.

Web Site
Columbia's Web site – www.columbiagasky.com – continues to provide customers with an overview of the Choice Program, answers to frequently asked questions, and contact information, including toll-free phone numbers and Web site links, for participating marketers. A convenient Ask Us form is provided for those customers who have more specific questions regarding the Customer Choice Program.

Customers can use the Columbia Gas of Kentucky Web site to request a speaker to address their organization by completing and submitting an online speaker request form.

Community Presentations
As knowledge of the Customer Choice Program increased, the number of requests for speakers on the subject declined. Columbia representatives appeared at six organizational meetings during 2001, making presentations, answering questions and providing written information about the Choice Program. Columbia continues to provide this service for organizations which request it.

Media Requests
Requests for interviews by print and electronic media were numerous following the announcement of the Customer Choice Program, but as customers became more educated about the program and its newness wore off, media coverage has decreased. However, the Choice Program was the subject of 8 print articles in 2001.

Customer Contact Center Training
Columbia Customer Service Specialists in the Lexington Customer Contact Center are updated regularly on the Customer Choice Program. Specific training was provided to Customer Service Specialists regarding the appearance of the Actual Gas Cost Adjustment on Choice customers' bills.

The Customer Contact Center received 4,439 calls from May 2001 through April 2002 from customers seeking information about the Customer Choice Program.

Stranded Costs

The amount of stranded costs incurred under the program to date; and the amount of revenue, to date, realized from opportunities developed to off-set stranded costs under the program.

Transition Capacity Costs	$9,043,335
Information Technology Costs	$94,145
Education Costs	$232,485
Total	**$9,369,965**

Revenue to Off-Set Stranded Costs

Revenues Generated to Recover Stranded Costs, to date:

Off-System Sales	$3,171,130
Balancing Charge	$2,409,127
Marketer Contribution	$383,683
Capacity Assignment	$1,601,164
Total	**$7,565,104**

Note: Revenue opportunities should exceed stranded costs in the early years of the program but this situation reverses in the later years of the program as stranded costs will then exceed revenue opportunities for two primary reasons. First, transition capacity costs will increase as customer participation increases, increasing stranded costs later in the program. Second, revenue opportunities decrease after the initial years as there will be fewer opportunities to make off-system sales as customer participation increases. This occurs because the size of Columbia's merchant function is decreasing at the same time that its capacity asset portfolio is declining.

Columbia Gas of Kentucky
A NiSource Company

P.O. Box 14241
Lexington, KY 40512
(859) 288.0215
Fax: (859) 288.0258

May 2, 2002

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

RECEIVED
MAY 03 2002
PUBLIC SERVICE COMMISSION

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being marketed by participating suppliers in Columbia's Customer CHOICE^{SM} program.

Interstate Gas Supply (IGS) - Currently not enrolling new customers

MX Energy – Fixed price of $6.09/Mcf for 1 or 2 year term

CAC Buyers Club - Variable price $3.62/ Mcf; no term

Stand Energy Corporation is no longer participating in the program.

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas® of Kentucky
A NiSource Company

P.O. Box 14241
Lexington, KY 40512
(859) 288.0215
Fax: (859) 288.0258

RECEIVED
APR 04 2002
PUBLIC SERVICE COMMISSION

April 4, 2002

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being marketed by participating suppliers in Columbia's Customer CHOICE^{SM} program.

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MX Energy – Fixed price of $6.09/Mcf for 1 or 2 year term

CAC Buyers Club - Variable price $3.62/ Mcf; no term

Stand Energy Corporation is not marketing currently.

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas® of Kentucky
A NiSource Company

P.O. Box 14241
Lexington, KY 40512
(859) 288.0215
Fax: (859) 288.0258

March 1, 2002

RECEIVED

MAR 01 2002

PUBLIC SERVICE
COMMISSION

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being marketed by participating suppliers in Columbia's Customer CHOICE^{SM} program.

Interstate Gas Supply (IGS) - Fixed price of $5.99/ Mcf thru December 2002

MX Energy – Fixed price of $5.39/Mcf for 2 year term

CAC Buyers Club - Variable price $4.85/ Mcf; no term

Stand Energy Corporation is not marketing currently.

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas
of Kentucky

Lexington Office:
PO Box 14241
Lexington, KY 40512-4241

606 288-0215 Phone
606 288-0258 Fax

Note: New Area Code
859

January 7, 2002

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being marketed by participating suppliers in Columbia's Customer CHOICE^{SM} program.

Interstate Gas Supply (IGS) - Fixed price of $5.99/ Mcf thru December 2002

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Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas of Kentucky
A NiSource Company

P.O. Box 14241
Lexington, KY 40512
(859) 288.0215
Fax: (859) 288.0258

December 7, 2001

RECEIVED
DEC - 7 2001
PUBLIC SERVICE
COMMISSION

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits information regarding an additional marketer that has been approved and certified as creditworthy to participate in Columbia's Customer CHOICE^{SM} program. The marketer is:

Community Action Council Buyers Club, Inc.
892 Georgetown Street
P. O. Box 11610
Lexington, KY 40576
(800) 244-2275

The marketer's standard contract including dispute resolution procedures is attached as well as the aggregation agreement with Columbia. If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Rebecca Phillips

COMMUNITY ACTION COUNCIL BUYERS CLUB, INC.

MEMBERSHIP APPLICATION

By completing this Membership Application I state my desire to be a Member of the Community Action Council Buyers Club, Inc. I understand and agree to the provisions stated in this Membership Application and Agreement. I understand that by signing this Application I am giving my written consent for the Buyers Club to enroll me as a service customer in the Columbia Customer Choice Program and giving my written authorization to allow the Buyers Club to obtain my historical and current gas usage data for my natural gas service location from Columbia Gas of Kentucky. I understand that Columbia will deliver to me the natural gas I purchase from the Buyers Club, and that I will receive one bill from Columbia that identifies the Buyers Club as my marketer and includes both the delivery charge from Columbia and the natural gas purchase charge from the Buyers Club.

Your Name: ______________________________

Social Security Number (optional): ______________________________

Service Address: ______________________________

Mailing Address: ______________________________

City: ____________________ State: Kentucky Zip Code: __________

Daytime Phone: ______________ Evening Phone: ______________

E-Mail address (optional): ______________________________

Columbia Gas Account Number: ______________________________
(Attach a recent Columbia Gas bill if available)

AGREEMENT

The Buyers Club: Community Action Council Buyers Club, Inc., is a non-profit, membership corporation formed to provide low-cost natural gas to low-income and medium-income families in the Columbia Gas company's service area within Kentucky. This is possible through the Customer Choice Program approved by the Kentucky Public Service Commission. Membership in the Buyers Club is open to all Columbia Gas company customers in Kentucky with annual natural gas consumption of less than 25,000 Mcf. The Buyers Club will purchase wholesale natural gas and gas transportation services necessary to move the gas to the Columbia Gas company system. The natural gas will be distributed to Buyers Club members through the Columbia Gas company pipelines.

Because the Buyers Club is a non-profit corporation, no profit is included in the cost of natural gas to Buyers Club members. The cost to Buyers Club members will be based on the cost of wholesale natural gas (which has varied greatly), the cost to transport the natural gas to the Columbia Gas company system, the cost to administer the Buyers Club, the price regulated by the Kentucky Public Service Commission and charged by Columbia Gas company to bring the natural gas to your home or business, and certain government taxes and fees. The Buyers Club will keep the cost of natural gas as low as possible to its members and will try to charge at least ten percent less than Columbia Gas of Kentucky charges. We can commit to our goal; we cannot assure a specified discount. After some months of experience, the Buyers Club should be able to predict gas prices.

The Buyers Club is controlled by its Board of Directors as provided in the corporation's Bylaws. Members may obtain a copy of the corporation's Bylaws and may attend meetings of the Board of Directors. Members also may attend membership meetings when called by the Board of Directors. Day-to-day operations will be managed by officers elected by the Board of Directors and administered by the staff of Community Action Council for Lexington-Fayette, Bourbon Harrison and Nicholas Counties, Inc. Community Action Council will assist eligible members through energy conservation programs and energy cost assistance programs.

You may become a member of the Buyers Club by completing the application and agreeing to the terms and conditions stated in this Membership Application and Agreement.

Becoming a Member: I understand that I may become a member in the Buyers Club by completing the application. I understand that my application may be rejected only if I do not qualify for the Customer Choice Program. I will be given notice by the Buyers Club if my application is rejected; also, I will be given notice of my start date after Columbia has verified my eligibility.

Gas Supply Price and Delivery: I understand that the Buyers Club **does not set a fixed price** for natural gas and that **the price charged for gas may vary each month**. The price will be billed to me based on the quantity of gas I consume as measured by the Columbia Gas meter at my location (a Mcf basis). The price for my gas supply will include the price paid by the Buyers Club to buy the natural gas and transport it to the Columbia Gas system together with administrative costs. I understand that Columbia Gas will deliver the natural gas to my location at a price regulated by the Kentucky Public Service Commission and that I must also pay regulated surcharges and government fees and taxes.

Bill Payment: I understand that I will receive one monthly bill sent to me by Columbia Gas. The monthly bill will include Columbia Gas company's charge for delivery services, government fees and taxes, and the Buyers Club charge for natural gas. I understand that payment is sent to Columbia Gas and is due by the date stated on the bill. I understand that I may pay my bill through the budget plan and check-free plan.

Service Begins: I understand I will receive my natural gas supply from the Buyers Club (unless I receive written notice that I am not eligible) on the first day of my billing cycle in the first month following verification of my eligibility if approved by the 15th of the previous month, but not sooner than October 1, 2001.

Termination: I understand that Customer Choice Program under which the Buyers Club operates may be terminated by the Kentucky Public Service Commission and that the Buyers Club would no longer be able to supply my natural gas. I understand that I may terminate my membership in the Buyers Club by giving notice thirty days before the date I wish to terminate my membership. I understand that if my membership terminates Columbia Gas will be my natural gas supplier at its standard rates unless I choose another natural gas supplier. I understand that my membership will terminate if I move from the Columbia Gas service area in Kentucky. I understand that I may continue with the Buyers Club if I move within the Columbia Gas service area within Kentucky which is part of the Customer Choice Program. I agree to notify the Buyers Club if I move. I understand that termination of my membership in the Buyers Club will be without penalty to me but that I must pay for the natural gas delivered to me prior to the date of termination. Natural gas may only be shut off by Columbia Gas company under procedures approved by the Kentucky Public Service Commission. I understand that this agreement will continue until terminated as noted in this paragraph.

Disclosure of Confidential Information: I understand and agree that if I am eligible for energy related services and assistance from Community Action Council, the Buyers Club may disclose information about my energy use and financial circumstances to Community Action Council.

Complaints and Dispute Resolution: I understand that if I have complaints regarding my natural gas service or my monthly bill, I may contact the Buyers Club representative at (859) 244-2215 or (800) [need toll free number]. If the Buyers Club representative cannot remedy my dispute, I may present my dispute to the Buyers Club Board of Directors at its next scheduled meeting; the representative will tell me the date, time and place of the next Board meeting. I understand I may also contact the Customer Service Division of the Public Service Commission at (502) 564-3940 or (800)0 772-4634; I understand the Commission is monitoring complaints against energy service companies.

Office Location and Hours: I understand the Buyers Club is administered by Community Action Council from its office at 913 Georgetown Street, Lexington, Kentucky. The office is open from 8:30 a.m. to 5:00 p.m. Monday through Friday except holidays. Mail should be addressed to Buyers Club, % Community Action Council, P. O. Box 11610, Lexington, KY 40576.

Laws of Kentucky Control: I understand the laws of Kentucky and the regulations of the Kentucky Public Service Commission control my membership in the Buyers Club and the provision of natural gas by the Buyers Club.

Signature: I understand that by signing this form I am applying for membership in the Buyers Club, acknowledging that I have read the terms of membership stated above, and that I agree to the terms.

Your Signature: ____ Date:________

Mail or hand-deliver the top copy of this Application to:

Or fax this Application to: (859) 244-2219

Buyers Club
% Community Action Council
892 Georgetown street
P. O. Box 11610
Lexington, KY 40576

Useful Telephone Numbers:
Buyers Club: (859) 244-2215 or toll free _________
Columbia Gas emergency service (gas leaks or loss of supply): (859) 288-0205 (vary by community?)
Columbia Gas billing problems: (859) 288-4200 (or see your Columbia billing statement)
Buyers Club billing problems and other questions: (859) 244-2215
Customer Service Division, Public Service Commission: (502) 564-3940 or (800) 772-4634

Ref:S:\G\CAC\64\85007864-011.doc

FORM OF SERVICE AGREEMENT
FOR SMALL VOLUME AGGREGATION SERVICE
RATE SCHEDULE

November JK

This Agreement is made and entered into this 29th day of ~~October~~ 2001, between Columbia Gas of Kentucky, Inc., a Kentucky corporation, 2001 Mercer Road, P. O. Box 14241, Lexington, KY 40512-4241, hereinafter "Company," and Community Action Council Buyers Club, Inc., a Kentucky non-profit corporation, 892 Georgetown Street, P. O. Box 11610, Lexington, KY 40576, 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 Small Volume Aggregation Service ("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 Agent to deliver daily, or as otherwise required by Company, 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, banking, billing and payments, agent 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 or customer group that Agent establishes under this Agreement or Company's tariffs.

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. To be a Customer, the Company must have an obligation to supply the individual or entity under its general public utility obligation to serve, under a special contract, or under KRS § 278.475; and the Company must have an economical means of transporting gas to said individual or entity. All customers who participate in the Company's Customer Assistance Program ("CAP") will be served by a single Agent and are not eligible to contract with any Agent except that Agent serving the CAP pool. Agent agrees and understands that if a customer joins the CAP Program after signing up with the Agent, the customer: 1) will be removed from the Agent's customer pool and will be added to the CAP pool; and, 2) will be served by the Agent who was awarded the CAP Supplier Agreement. Columbia shall notify the Agent when any of the customers in the Agent's customer pool have joined CAP and thus, will be served as a member of the CAP pool. Agent shall not assess any penalty to a customer when a customer joins the CAP pool. 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.

4. Program. Program is defined as Columbia's Small Volume Gas Transportation Service and Small Volume Aggregation Service and all applicable requirements under Columbia's tariffs.

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 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, 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 it serves, so that the operation of this provision will not contravene end-user customer's rights under those agreements. Upon termination of this agreement for any reason, all outstanding obligations of Agent and amounts due under this Agreement shall become due and payable. 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. As stated in Article VIII, if this Agreement is terminated due to Agent's bankruptcy or non-delivery of supplies, then Agent's customers shall be immediately returned to 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 creditworthiness and will pay a $50 processing fee to the Company to cover the cost of a credit check. Further, if the Company so requires, 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 may be adjusted at the sole discretion of the Company, as customers are added to, or deleted from, Agent's aggregation pool. The required dollar amounts of such instruments may also be adjusted at the sole discretion of the Company based upon the Agent's demonstrated ability or inability to pay promptly. 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 capacity, transportation, storage, gathering and other related costs incurred in bringing those gas supplies into the Company's system. The proceeds from such instruments shall also be used to satisfy any outstanding claims that the Company may have against Agent, including, but not limited to, interstate pipeline capacity charges, imbalance charges, cash-out charges, pipeline penalty charges, reservation charges, and any other amounts owed to the Company or amounts for which the Company is or will be responsible related to Agent's participation in this Program. Company reserves the right to use Agent's assets associated with the program to offset or recoup any costs the Company incurs.

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, including the Code of Conduct as set forth on Sheet No. 37 of Company's tariff. Said tariff provisions are 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. If, as a result of customers' complaints, and/or from its own investigation, Company determines, in its sole judgement, that Agent is not operating under this Agreement in an ethical and/or legal manner, then the Company shall have the unilateral right to cancel this Agreement and deny Agent's further participation in the program.

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 SVAS.

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, accept 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 all those customers that comprise each of the Agent's aggregation pools. For those transportation customers that 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 must pay all charges assessed by the Company as provided in Company's tariff.

In the event Agent discovers or determines that it may not be able to deliver gas supplies into the Company's designated city gate receipt points, it shall immediately provide notice to Company of such potential failure.

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. Agent must obtain its own capacity and supply to serve the incremental customer demand on days colder than design. Failure of 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 Agent, through determination of the difference between: (1) 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. The reconciliation will include the unbilled portion of July. Company will complete the imbalance calculation within twenty (20) working days of the end of the annual period.

Agent will have the option of eliminating 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. 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. Agent may change the option that it has selected once annually on August 1st of each calendar year. If Agent does not change its option as permitted herein, then the latest option selected by Agent shall apply.

Agent Selection: (*circle one*) Option 1 (Cash Out) Option 2 (Exchange)

ARTICLE VI

Billing and Charges

The Company will provide Agent with each of its 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 a company provided monthly billing report. The monthly billing report reflects customer's 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, or if this Agreement is terminated in accordance with Article VIII, then Company may elect to recall the capacity immediately. If the capacity is recalled, 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 render a statement of the quantities delivered and amounts owed by Agent. Company shall make payment to Agent for the revenues billed for the Agent, subject to any deduction for the offsets or recoupments of any amounts owed to the Company as specified herein. The payment shall be at a two and one-half percent (2½%) discount of the total amount billed by the Company for 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 (97½%).

Company and Agent agree that all fees, costs, charges and penalties owed to the Company shall be offset and/or recouped from Agent's receivables check. The Company shall have the right to offset or recoup: 1) all amounts or costs that are incurred by Agent related to participation in this Program; 2) all amounts or costs owed directly to the Company; and, 3) all amounts or costs for which the Company is or will be responsible if not paid by Agent, including, but not limited to, capacity charges billed by interstate pipeline companies. In calculating the payment due Agent under this Agreement, said fees, costs, charges and/or penalties shall be deducted from the amount to be paid to Agent after the discount has been applied to the total amount billed by the Company.

Payment to Agent shall be made by the Company on the last business day of the calendar month following each monthly billing cycle. Said monthly payment shall be made to Agent by the Company regardless of whether any particular customer(s) in Agent's Customer Group(s) pays their bill(s). In the event that Agent's receivables are insufficient to cover the deductions specified herein, Agent shall remit payment to Company by the 15th day of the next calendar month.

The Company reserves the right to adjust Agent's account with regard to payment for amounts billed by Company for 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 party 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) business 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, and if, within said period of thirty (30) business 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) business days, then, at the option of the party giving notice, this Agreement shall terminate or cancel as of the expiration of said thirty (30) business day period.

Termination Rights – Non-Delivery or Bankruptcy. Notwithstanding the above paragraph entitled "Defaults" in Article VIII of this Agreement, in the event that Agent fails to deliver gas supplies in accordance with the Rules and Regulations of Company's tariff, then Company shall have the right to terminate this Agreement immediately upon written notice to Agent, by facsimile, electronic mail or otherwise.

In the event that Agent files a petition for relief under the federal bankruptcy laws, and this Agreement has not been terminated for non-delivery of gas supplies, then Agent shall cause to be filed with the federal bankruptcy court having jurisdiction a notice and take other action to declare its intentions with regard to assuming or rejecting this Agreement within 10 days after the order for relief. Failure to file and take the required action within 10 days after the order for relief will constitute notice that Agent intends to reject the Agreement.

If this Agreement is terminated due to non-delivery of supplies by Agent, or if Company is notified of Agent's intention to reject this Agreement in accordance with federal bankruptcy laws, then the Company shall notify Agent's customers of such termination or rejection and shall return all of Agent's customers to the Company's system supply. The Company shall also determine whether or not any capacity previously assigned to Agent must be returned to the Company, based upon Company's determination of its necessity for service to such customers.

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, nor 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 Agent 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-assigning 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: Choice Program Manager

Dispatch notices to the Company shall be directed to above address, Attention: Gas Transportation Services. Telephone (859) 288-0257.
Fax notices to the Company shall be directed to (859) 288-0258.

Written notices and correspondence to Agent shall be addressed and delivered as follows:

Executive Director
Community Action Council Buyers Club, Inc.
892 Georgetown Street
P. O. Box 11610
Lexington, KY 40576
Telephone notices to Agent shall be directed to (859) 233-4600.

Fax notices to Agent shall be directed to (859) 244-2261.
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.

COLUMBIA GAS OF KENTUCKY, INC.

By: Joseph W. Kelly

ATTEST:

Judy M. Cooper

COMMUNITY ACTION COUNCIL BUYERS CLUB, INC.

By: ______________________
Jack E. Burck, Executive Director

ATTEST:

____
Gentry C. LaRue, President

Ref:S:\G\CAC\64\85007864-021-A(ColGas).wpd

Columbia Gas®
of Kentucky
A NiSource Company

P.O. Box 14241
Lexington, KY 40512
(859) 288.0215
Fax: (859) 288.0258

RECEIVED

DEC 06 2001

PUBLIC SERVICE
COMMISSION

December 5, 2001

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being marketed by participating suppliers in Columbia's Customer CHOICE^{SM} program. We have added one marketer this month, the Community Action Council Buyers Club. Copies of the contract terms and conditions and the aggregation agreement will be forthcoming.

Interstate Gas Supply (IGS) - Fixed price of $5.99/ Mcf thru December 2002

MX Energy – Fixed price of $5.89/Mcf for 1 or 2 year term

CAC Buyers Club - Variable price $5.354/ Mcf; no term

Stand Energy Corporation is not marketing currently.

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas® of Kentucky
A NiSource Company

P.O. Box 14241
Lexington, KY 40512
(859) 288.0215
Fax: (859) 288.0258

November 2, 2001

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being marketed by participating suppliers in Columbia's Customer CHOICE^{SM} program.

Interstate Gas Supply (IGS) - Fixed price of \$5.39/ Mcf thru December 2002

MX Energy – Fixed price of \$5.99/Mcf for 2 years

Stand Energy Corporation is not marketing currently.

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas® of Kentucky
A NiSource Company

P.O. Box 14241
Lexington, KY 40512
(859) 288.0215
Fax: (859) 288.0258

October 1, 2001

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

RECEIVED
OCT 2 2001
PUBLIC SERVICE
COMMISSION

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being offered by participating marketers in Columbia's Customer CHOICE^{SM} program.

Interstate Gas Supply (IGS) - Fixed price of $5.99/ Mcf for 1 year

MX Energy – Fixed price of $5.99/Mcf for 2 years

Stand Energy Corporation is not marketing currently. Energy.com is no longer a participating marketer. Energy.com sold its customers to MX Energy effective October 2001. The customers retain the contract terms and prices as per their agreements with Energy.com and are receiving a letter of notification with the toll-free phone number for MX Energy should they have any concerns or wish to be removed.

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas of Kentucky
A NiSource Company

P.O. Box 14241
Lexington, KY 40512
(859) 288.0215
Fax: (859) 288.0258

RECEIVED
AUG 04 2001
PUBLIC SERVICE COMMISSION

RECEIVED
SEP 04 2001
PUBLIC SERVICE COMMISSION

September 4, 2001

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being offered by participating marketers in Columbia's Customer CHOICE^{SM} program.

Interstate Gas Supply (IGS) - Fixed price of $5.99/ Mcf for 1 year

MX Energy – Fixed price of $6.99/Mcf for 2 years

Stand Energy Corporation and Energy.com are not marketing currently

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas® of Kentucky
A NiSource Company

P.O. Box 14241
Lexington, KY 40512
(859) 288.0215
Fax: (859) 288.0258

August 3, 2001

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being offered by participating marketers in Columbia's Customer CHOICE^{SM} program.

Interstate Gas Supply (IGS) - Discount of 10% off Columbia's GCR for 1 year

MX Energy – Fixed price of $6.99/Mcf for 2 years

Stand Energy Corporation and Energy.com are not marketing currently

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

HISTORY INDEX FOR CASE: 1999-165
COLUMBIA GAS OF KENTUCKY, INC.
Tariffs
REVISIONS TO GAS COST ADJUSTMENT CLAUSE AND CERTAIN TRANSPORTATION TERMS

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

SEQ NBR	ENTRY DATE	REMARKS
M0030	05/10/2000	VIVIAN LEWIS COURT REPORTER-TRANSCRIPT FILED FOR HEARING ON APRIL 25,00
0019	05/19/2000	Order entered; relief requested is denied in part and granted in part
M0031	05/26/2000	STEPHEN R. BYARS-INTENDS TO IMPLEMENT CUSTOMER CHOICE PROGRAM
M0032	07/28/2000	JUDY COOPER COLUMBIA GAS-TARIFF
M0033	11/22/2000	JUDY COOPER/COLUMBIA GAS-INFORMATION REGARDING MARKETERS THAT HAVE BEEN APPROVED AND CERTIF
0020	01/08/2001	Order entered; current schedule of rates due on 1st business day of each month
M0034	03/01/2001	JUDY COOPER/COLUMBIA GAS-RESPONSE TO COMMISSION'S ORDER
M0035	04/02/2001	JUDY COOPER/COLUMBIA GAS-RESPONSE TO COMMISSION'S ORDER
M0036	05/04/2001	JUDY COOPER/COLUMBIA GAS-RATES CURRENTLY BEING OFFERED
M0037	06/01/2001	JUDY COOPER/COLUMBIA GAS-RATES CURRENTLY BEING OFFERED
M0038	06/01/2001	STEPHEN BYARS/COLUMBIA GAS-FIRST ANNUAL REPORT FOR CUSTOMER CHOICE PROGRAM
M0039	07/10/2001	JUDY COOPER/COLUMBIA GAS-RATES CURRENTLY BEING OFFERED BY PARTICIPATING MARKETERS

Columbia Gas of Kentucky

Lexington Office:
PO Box 14241
Lexington, KY 40512-4241

606 288-0215 Phone
606 288-0258 Fax

Note: New Area Code 859

July 10, 2001

RECEIVED

JUL 10 2001

PUBLIC SERVICE COMMISSION

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being offered by participating marketers in Columbia's Customer CHOICE^{SM} program.

Interstate Gas Supply (IGS) - Fixed price of $7.65/Mcf for 12 month term

MX Energy – Fixed price of $8.25/Mcf for 12 month term

Stand Energy Corporation and Energy.com are not marketing currently

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas
of Kentucky

Lexington Office:
PO Box 14241
Lexington, KY 40512-4241

606 288-0215 Phone
606 288-0258 Fax

Note: New Area Code
859

June 1, 2001

RECEIVED

JUN 01 2001

PUBLIC SERVICE
COMMISSION

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being offered by participating marketers in Columbia's Customer CHOICE^{SM} program.

Interstate Gas Supply (IGS) - Fixed price of \$7.65/Mcf for 12 month term

MX Energy – Fixed price of \$8.25/Mcf for 12 month term

Stand Energy Corporation and Energy.com are not marketing currently

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas® of Kentucky
A NiSource Company

P.O. Box 14241
Lexington, KY 40512
(859) 288.0215
Fax: (859) 288.0258

June 1, 2001

Mr. Thomas Dorman
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602

RECEIVED
JUN 01 2001
PUBLIC SERVICE COMMISSION

RE: Case No. 1999-165

Dear Mr. Dorman:

Please find enclosed one original and ten (10) copies of Columbia Gas of Kentucky's first annual report on its Customer Choice Program. This annual report was required by the Kentucky Public Service Commission in its order in Case No. 1999-165.

Please call me at 859-288-0227 if you have any questions.

Sincerely,

Stephen R. Byars

Stephen R. Byars
Director,
Regulatory & Governmental Policy

RECEIVED
JUN 0 1 2001
PUBLIC SERVICE COMMISSION

Customer Choice℠

Make a Choice. Take Control.

Columbia Gas of Kentucky, Inc.
Customer Choice℠ Program
Annual Report

June 1, 2001

Customer Choice

Make a Choice. Take Control.

Columbia Gas of Kentucky, Inc.
Customer Choice[SM] Program Annual Report
Table of Contents

Introduction

Columbia Gas of Kentucky's ("Columbia") application requesting approval of its Customer Choice Program described an annual report to be filed with the Kentucky Public Service Commission ("Commission"). This first annual report summarizes key elements and initial outcomes of Columbia's pilot program beginning with the public announcement and kickoff of the program on July 19 and continuing through the first eight months of the program's operation.

On September 18, 2000 the residential and small commercial customers of Columbia Gas of Kentucky became the first utility customers in Kentucky to be offered the choice of purchasing their energy supplies from an entity other than a regulated utility. The Columbia Customer Choice Program was introduced to the public prior to that date on July 19 with a press conference describing the Program to various media outlets from across Columbia's operating territory – and beyond. From there a massive customer education campaign ensued to educate the approximately 140,000 customers eligible for the program about CHOICE. Customers were officially able to enroll with one of four certified marketers approved to participate in the Program starting on September 18.

The winter of 2000-01 proved to be a difficult one for natural gas utilities and customers alike across the nation. Tight supplies causing higher wholesale natural gas prices combined with record-breaking cold temperatures in December proved to be a double whammy for customers. With natural gas bills rising customers were focused on their bills, particularly the gas cost portion of the bill. Continued customer education efforts (Columbia made over sixty (60) community presentations on Customer Choice last year) and attractive offers from marketers proved to be enticing to customers. As of the May enrollment period, 42,888 customers, or approximately 30.6 percent of eligible customers and 36.2% of eligible volumes, had enrolled with one of the participating marketers in the Customer CHOICE Program. This level of participation so quickly has exceeded everyone's expectations. In fact, projections for customer participation, developed in part by examining participation levels from other programs across the country, did not anticipate this level of customer enrollment until the end of the program.

Also encouraging has been the level of customer savings generated by the program. Customers have saved a total of $1,458,148 on gas costs from November 2000 through the first six months of the program. To put this into perspective, the typical residential customer using an average of 8 MCF per month throughout the year paid $59.29 per month for natural gas from Columbia Gas of Kentucky. This same customer would have saved more than $71 over a full year if enrolled under the 10% off of Columbia's gas cost offer accepted by most customers. *In other words, this customer will have saved enough through the Customer CHOICE Program to have received, in effect, more than one month's gas free.*

The wild weather of December 2000 produced some hardships to natural gas suppliers and marketers as well. During this month two marketers certified to participate in the CHOICE program failed to deliver the required supplies to Columbia for their customers.

As a result, Columbia was obligated to terminate the two marketers from the program. This was an early test of the program's viability and it passed with Columbia exercising its role as the supplier of last resort and taking the customers back from the terminated marketers. Most of those customers have since enrolled with the remaining marketers in the program.

Columbia Gas of Kentucky's Customer CHOICE Program follows programs implemented in 23 states across the U.S. Columbia believes it benefited from the experience of these other programs by analyzing them prior to beginning the development of its own program. From this research Columbia identified several goals that it believes are critical to the success of the program:

- 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;
- 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 the Customer CHOICE Program;
- 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.

Columbia still believes that these goals are critical to the success of the program and, in fact, have contributed to the early tremendous success of Columbia Gas of Kentucky's Customer CHOICE Program.

The development of the Program followed the above goals and could not have been accomplished without the thoughtful and committed involvement of the members of the Customer Choice Collaborative. 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 all provided countless hours to the development of this program and it is a better program as a result of their involvement. In addition, FSG Energy Services, a marketing subsidiary of Wisconsin Public Service Resources Corporation, provided valuable input as well. Columbia is extremely grateful for the assistance and counsel of the parties above.

Summary

The Columbia Gas of Kentucky Customer CHOICE Program has been a tremendous success.

The evidence of the program's success is illustrated by the following:

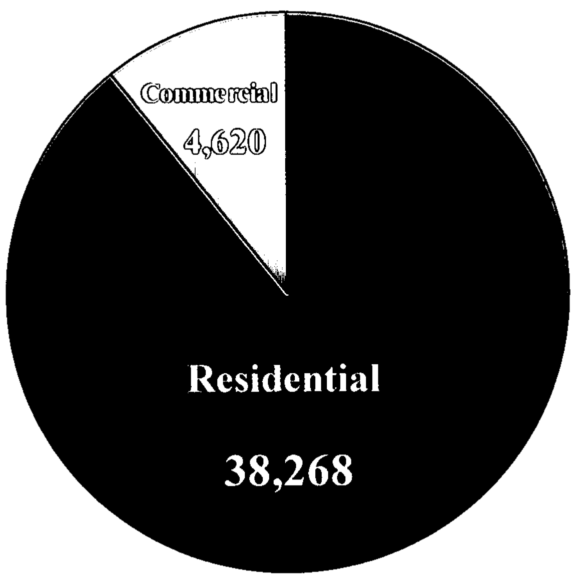
1. **Robust Customer Participation**. With 42,888 customers enrolled in the program, representing approximately 30.6% of eligible customers and 36.2% of eligible volumes, customer participation far exceeds anyone's expectations. This level of participation was not expected until the end of the program. With customer participation lagging in some other programs around the country the level of customer participation is evidence that the goals and design of the program are well founded.
2. **Impressive Customer Savings**. Both residential and commercial customers are saving money through the Customer CHOICE Program – one of the primary goals of the program. Cumulative savings since gas first flowed to CHOICE customers on November 1, 2000 (six months of actual experience) amount to $1,458,148. The average residential customer who enrolled in time for their November gas purchases to be supplied by a marketer would have saved a total of $52.37 through March, 2001(calculated by dividing total residential Choice customers' savings each month by the number of Choice customers enrolled each month). Furthermore, a typical residential customer using an average of 8 MCF per month throughout the year would spend $59.29 per month on gas costs if purchasing the commodity through Columbia. If this same customer purchased their natural gas through a Choice Program marketer and enrolled under the 10% off Columbia's gas cost rate, that customer would save $71.15 in gas costs over the course of the year. *In other words, this customer would have saved enough through the Customer CHOICE Program to have received, in effect, more than 12 months of natural gas for the price of 11 months.*

3. **Low Number of Customer Complaints**. Columbia has assumed the responsibility of responding to customer complaints regarding the Customer CHOICE Program. To date Columbia has received only 167 complaints, representing 1.7% of Customer Choice-related customer calls to the Columbia Customer Service Center and only .4% of the 42,888 customers enrolled in the program.

4. **High Customer Awareness Levels**. An independent customer survey conducted in November 2000 showed that almost three-fourths of Columbia customers were aware of the Customer CHOICE Program.

Customer Choice
Make a Choice. Take Control.

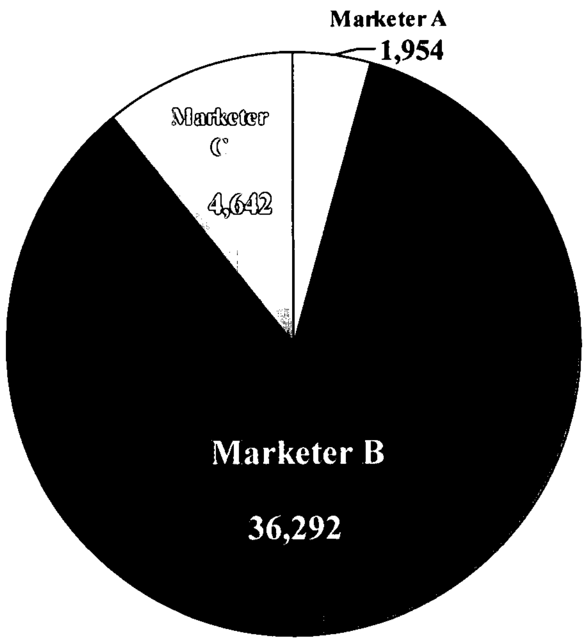
Residential & Commercial Customer Participation



As of May 15, 2001

Customer Choice
Make a Choice. Take Control.

Marketer Enrollment



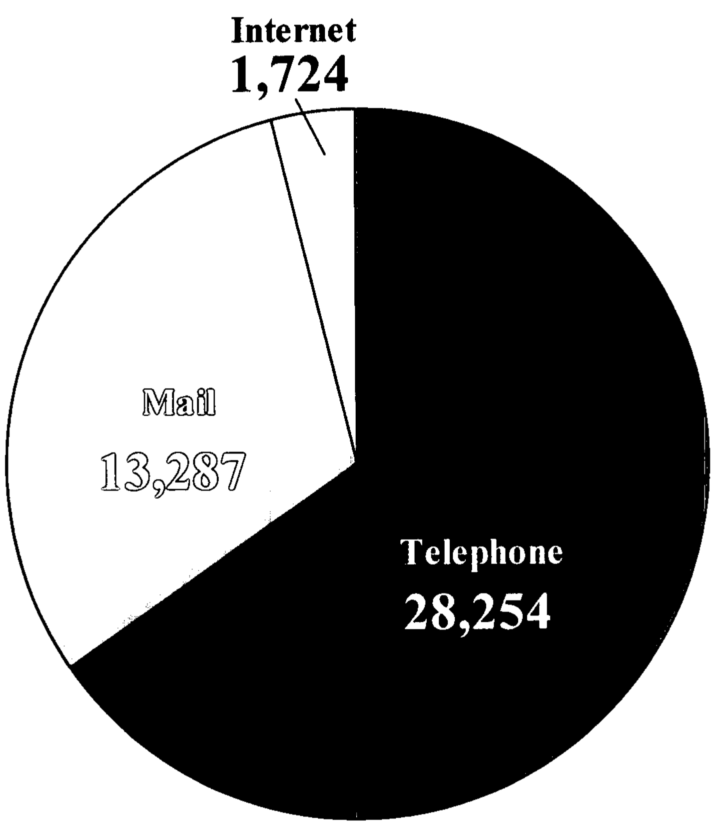
Note: In an effort to avoid undue influence in a competitive market, marketer data for this report will not be identified by specific marketer name.

Marketer D has no customers.

As of May 15, 2001

Customer Choice
Make a Choice. Take Control.

Methods of Enrollment

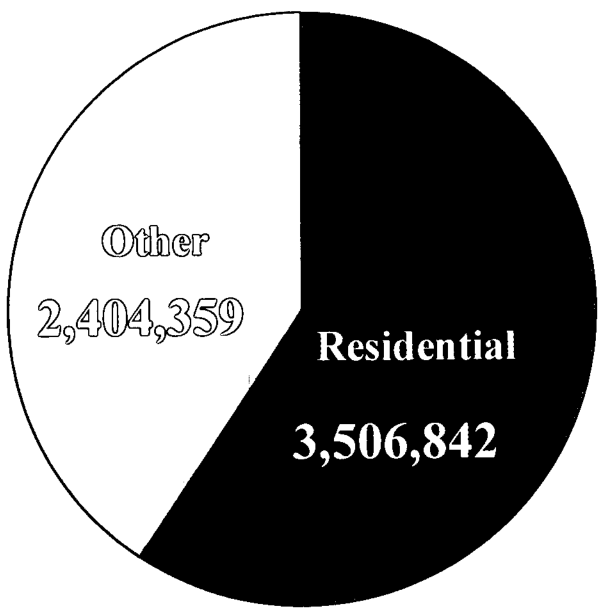


As of May 15, 2001

Customer Choice

Make a Choice. Take Control.

Total Volumes Purchased From Marketers By Participating Customers (Mcf)



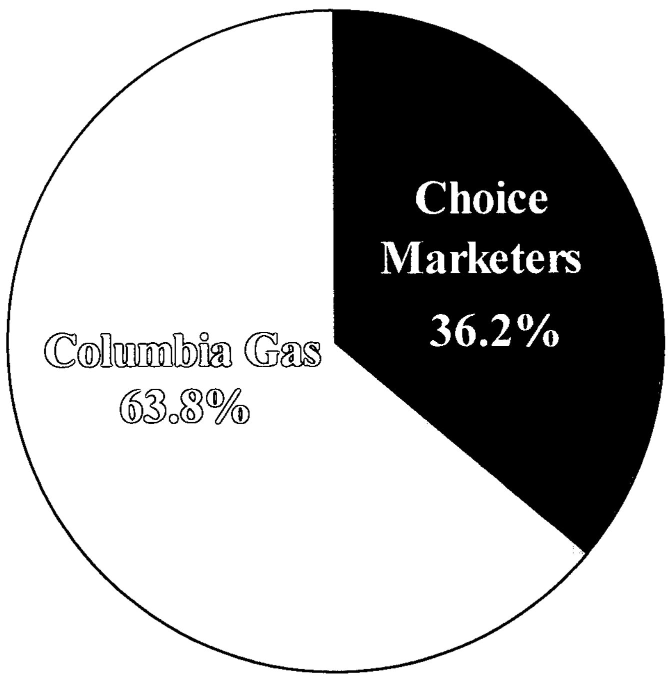
Total = 5,911,201 Mcf Annually

As of May 15, 2001

Customer Choice

Make a Choice. Take Control.

Percentage of Customer Participation By Volume



36.2 percent of total eligible throughput is being supplied by a Choice marketer.

As of May 15, 2001

Certified Marketers

Stand Energy Corporation
Stacee Dover
1077 Celestial Street, Suite 110
Cincinnati, Ohio 45202
800-598-2046

Interstate Gas Supply, Inc.
Dave Burig, Customer Choice Program Director
5020 Bradenton Avenue
Dublin, Ohil 43017
800-280-4474

MxEnergy.com, Inc.
Robert Blake
745 West Main Street, Suite 100
Louisville, Kentucky 40202
800-785-4373

Energy.com
Eric Cellar, Director Energy Group
921 Eastwind Drive, Suite 112
Westerville, Ohio 43081
877-289-7401

Rates Charged by Marketers

The following marketer rates are not identified by marketer name in order to avoid undue influence in a competitive market.

Marketer	Rates as of 6/1/01
A	$7.86 per Mcf
B	10% off Columbia's GCR 12% off Columbia's GCR $6.641 per Mcf $7.65 per Mcf $7.59 per Mcf
C	$6.999 per Mcf $8.4833 per Mcf $8.8445 per Mcf 10% off Columbia's GCR $7.79 per Mcf $8.25 per Mcf $7.99 per Mcf
D	None

Customer Education

On July 19, 2000, Columbia Gas of Kentucky officials held a press conference to begin educating natural gas consumers about the concept of "choice" prior to the official launch of the company's Customer CHOICE^{SM} Program. Prior to the official announcement of the program, Columbia Gas of Kentucky officials met with members of the Lexington Herald-Leader Editorial Board to provide them an overview of the program and answer their specific questions. The resulting editorial coverage of the program was positive. Media coverage of the press conference was extensive and provided an outstanding kickoff to the program's official customer education efforts. Those efforts included:

Advertising
Following the announcement of the program, Columbia Gas of Kentucky initiated an advertising campaign to educate consumers about the concept of having a "choice" of natural gas suppliers and how they could find out more details about the program. The campaign included newspaper, radio and specialty publication (i.e. Lexington Family Magazine) placements through October 2000.

In-Bill Communication
In addition to paid advertising, Columbia Gas of Kentucky relied heavily on its ability to communicate through bill inserts about the Customer CHOICE Program. Specific information about how the program works, frequently asked questions, marketer contact information and questions to ask marketers appeared in the in-bill newsletter, *Gaslines*, in July-August, September, October and November 2000 bills.

Community Presentations
From August through December 2000, Columbia Gas of Kentucky staff members made over 60 presentations to neighborhood associations, civic groups, professional organizations, seniors groups, community events, and government groups throughout its service area. An educational video and brochures describing the Customer CHOICE Program were used for these presentations. These presentations provided consumers the opportunity to ask specific questions of a Columbia Gas representative in person. That face to face interaction provided many customers a comfort level needed to embrace the new concept.

In addition, Columbia Gas of Kentucky representatives appeared on six public affairs programs airing on 11 radio and two television stations.

Web Site
During the Customer CHOICE Program customer education campaign, the company's Web site home page was dedicated to the program, providing a detailed description of the program and answers to frequently asked questions. Once the program was officially launched, the site also included a list of approved marketers, toll-free phone numbers and links to their Web sites.

The Columbia Gas of Kentucky Web site – www.columbiagasky.com – enables customers to ask questions online. In 2000, over 40 inquiries about the Customer CHOICE Program were received and promptly answered by Columbia Gas of Kentucky representatives.

Customers can also request a speaker to address their organization via the Web site by completing and submitting an online speaker request form.

Media Requests
Requests for interviews by print and electronic media were numerous following the announcement of the Customer CHOICE Program. In addition to many television and radio interviews conducted, over 40 print articles about the Customer CHOICE Program appeared during 2000.

Customer Service Center Training
Training was conducted for all Customer Service Representatives in the Lexington Customer Service Center to provide them with adequate knowledge of the program in order to allow them to explain the Customer CHOICE Program to customers who called with inquiries. Training included information regarding:

- Why Columbia Gas of Kentucky was introducing the Customer CHOICE Program
- Who was eligible to participate in the program
- Participation is voluntary
- Possible benefits to customers
- Billing information
- More detailed information about program (participating marketers, how to enroll, reliability, etc.)

The Customer Service Center received 9,758 calls from July 2000 through April 2001 from customers seeking information about the Customer CHOICE Program.

Market Research
In November 2000, Columbia Gas of Kentucky commissioned a telephone survey to test the effectiveness of their customer education efforts. A total of 608 telephone interviews were conducted in selected areas within Columbia's Kentucky service territory.

The research revealed that almost three-fourths of Columbia Gas of Kentucky's customers were aware of their ability to choose a natural gas supplier. That rate of awareness was consistent throughout all markets surveyed demonstrating that messages were delivered effectively to customers throughout the entire service territory. Research also showed that information about the Customer Choice Program was obtained through a variety of methods, including bill inserts, advertising and mainstream media.

Total Costs
Total costs incurred to educate Columbia Gas of Kentucky customers about the Customer CHOICE Program were $232,485. Costs were incurred from July 19, 2000 through

December 31, 2000. Total costs do not include training of Customer Service Representatives or staff time to make community presentations.

Stranded Costs

The amount of stranded costs incurred under the program to date; and the amount of revenue, to date, realized from opportunities developed to off-set stranded costs under the program.

Transition Capacity Costs	$1,186,678
Information Technology Costs	$91,914
Education Costs	$232,485
Total	**$1,511,077**

Revenue to Off-Set Stranded Costs

Revenues Generated to Recover Stranded Costs, to date:

Off-System Sales	$1,261,155
Balancing Charge	$647,496
Marketer Contribution	$92,500
Total	**$2,001,151**

Note: Revenue opportunities should exceed stranded costs in the early years of the program but this situation reverses in the later years of the program as stranded costs will then exceed revenue opportunities for two primary reasons. First, transition capacity costs will increase as customer participation increases, increasing stranded costs later in the program. Second, revenue opportunities decrease after the initial years as there will be fewer opportunities to make off-system sales as customer participation increases. This occurs because the size of Columbia's merchant function is decreasing at the same time that its capacity asset portfolio is declining.

Columbia Gas
of Kentucky

Lexington Office:
PO Box 14241
Lexington, KY 40512-4241

606 288-0215 Phone
606 288-0258 Fax

Note: New Area Code
859

RECEIVED

MAY 04 2001

PUBLIC SERVICE
COMMISSION

May 2, 2001

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being offered by participating marketers in Columbia's Customer CHOICE^{SM} program.

Interstate Gas Supply (IGS) - Fixed price of $7.65/Mcf for 12 month term

MX Energy – Fixed price of $8.25/Mcf for 12 month term

Stand Energy Corporation and Energy.com are not marketing currently

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas
of Kentucky

Lexington Office:
PO Box 14241
Lexington, KY 40512-4241

606 288-0215 Phone
606 288-0258 Fax

Note: New Area Code
859

April 2, 2001

RECEIVED

APR 02 2001

PUBLIC SERVICE
COMMISSION

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being offered by participating marketers in Columbia's Customer CHOICE℠ program.

Interstate Gas Supply (IGS) - Fixed Discount of 10% thru September 2001 billing

MX Energy – Fixed price of $8.25/Mcf for 12 month term

Stand Energy Corporation and Energy.com are not marketing currently

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas of Kentucky

Lexington Office:
PO Box 14241
Lexington, KY 40512-4241

606 288-0215 Phone
606 288-0258 Fax

Note: New Area Code
859

March 1, 2001

RECEIVED

MAR 1 2001

PUBLIC SERVICE COMMISSION

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being offered by participating marketers in Columbia's Customer CHOICE^{SM} program.

Interstate Gas Supply (IGS) - Fixed Discount of 10% thru September 2001 billing

MX Energy – Fixed price of $8.25/Mcf for 12 month term
Fixed price of $7.99/Mcf for 25 month term

Stand Energy Corporation and Energy.com are not marketing currently

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy M. Cooper

Judy M. Cooper

cc: Becky Phillips

Columbia Gas of Kentucky

Lexington Office:
PO Box 14241
Lexington, KY 40512-4241

606 288-0215 Phone
606 288-0258 Fax

Note: New Area Code
859

February 1, 2001

Mr. Tom Dorman
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

RECEIVED
FEB 01 2001
PUBLIC SERVICE
COMMISSION

Dear Mr. Dorman:

Pursuant to the Commission's Orders in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits the rates currently being offered by participating marketers in Columbia's Customer CHOICE^{SM} program.

Interstate Gas Supply (IGS) - Fixed Discount of 10%

MX Energy – Fixed Discount of 5%
Fixed Discount of 10%

Stand Energy Corporation and Energy.com are not marketing currently

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,

Judy Cooper
Judy M. Cooper

cc: Becky Phillips

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 8, 2001

To: All parties of record

RE: Case No. 1999-165

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

Sincerely,

Stephanie J. Bell

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

Honorable Richard S. Taylor
Attorney for Columbia Gas of KY
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
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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

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

Honorable Anthony G. Martin
Counsel for Community Action Council
of Lexington-Fayette, Bourbon,
Harrison and Nicholas Counties
P. O. Box 1812
Lexington, KY 40588

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 May 19, 2000, the Commission issued its final Order on rehearing in the instant proceeding. Ordering paragraph 5 of that Order requires Columbia Gas of Kentucky, Inc. ("Columbia") to provide certain information to the Commission regarding marketers approved to participate in Columbia's Customer Choice program. The Commission finds that additional information is necessary in order for the Commission to be fully informed regarding the operations of the program. Specifically, the Commission finds that a current listing of rates that approved marketers are offering to consumers under the terms of the Customer Choice program should be provided to the Commission by Columbia on the first business day of each month during the term of the program.

IT IS THEREFORE ORDERED that Columbia shall file, on the first business day of each month during the term of the Customer Choice program, a current schedule of the rates being offered by each approved marketer as of the filing date.

Done at Frankfort, Kentucky, this 8th day of January, 2001.

By the Commission

ATTEST:

Executive Director

HISTORY INDEX FOR CASE: 1999-165
COLUMBIA GAS OF KENTUCKY, INC.
Tariffs
REVISIONS TO GAS COST ADJUSTMENT CLAUSE AND CERTAIN TRANSPORTATION TERMS

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

SEQ NBR	ENTRY DATE	REMARKS
0001	05/28/1999	Order scheduling an IC on 6/3/99 at 10:00 in Hearing Room 2.
0002	05/28/1999	Order suspending proposed rates up to and including March 31, 2000.
M0001	06/02/1999	DOUGLAS BROOKS LG&E ENERGY-MOTION TO INTERVENE OF LG&E ENERGY
M0002	06/03/1999	STEPHEN SEIPLE COLUMBIA GAS OF KY-RESPONSE TO COMMISSIONS ORDER DATED MAY 28, 1999.
0003	06/09/1999	Order granting LG&E Energy full intervention.
M0003	06/14/1999	Jerry Borchert/ SEC-Motion for leave to Intervene.
M0004	06/18/1999	STEPHEN SEIPLE COLUMBIA GAS OF KY-SUPP RESPONSE TO ORDER OF MAY 28,99
M0005	06/22/1999	ANTHONY MARTIN COMMUNITY ACTION COUN-MOTION TO INTERVENE
0004	06/24/1999	Order granting Stand Energy Corporation intervention
0005	06/24/1999	Order scheduling 10/12 hearing; sets procedural schedule
0006	06/28/1999	Order granting the Community Action Council, Inc. intervention
M0006	06/29/1999	JACK BURCH COMMUNITY ACTION COUNCIL-LETTER OF AGREEANCE TO POSITION EXPRESSED IN RESPONSE F
0007	07/02/1999	Data Request Order; response due 7/16
M0007	07/16/1999	COLUMBIA GAS-RESPONSE TO ORDER OF JULY 2,99
M0008	07/16/1999	COLUMBIA GAS-DIRECT TESTIMONY OF KIMRA COLE
M0009	07/16/1999	COLUMBIA GAS OF KY-DIRECT TESTIMONY OF STEPHEN BYARS
M0010	07/16/1999	COLUMBIA GAS-TESTIMONY OF SCOTT PHELPS
0008	07/27/1999	Order entered; existing tariff sheets remain in effect until conclusion of case
0009	07/30/1999	Data Request Order; response due 8/13
M0011	07/30/1999	LEX FAY URBAN CO GOV ED GARDNER-MOTION FOR FULL INTERVENTION
0010	08/06/1999	Order granting Lexington-Fayette Urban County Government intervention
M0012	08/13/1999	COLUMBIA GAS SMITTY TAYLOR-RESPONSE TO PSC ORDER OF JULY 30,99
M0013	08/26/1999	BRIAN DINGWALL UNITED GAS-MOTION TO INTERVENE
0011	08/27/1999	Data Request Order; response due 9/10
M0014	09/10/1999	COLUMBIA GAS SMITTY TAYLOR-RESPONSE TO PSC ORDER OF AUG 27,99
M0015	09/20/1999	JACK BURCH COMMUNITY ACTION COUNCIL-TESTIMONY OF JACK BURCH
M0016	09/22/1999	COLUMBIA GAS OF KY AMY KONCELIK-RESPONSE TO ORDER OF JUNE 24,99 DUPLICATE NOTICE,& REQUEST
0012	10/05/1999	Order granting United Gas intervention
M0017	10/26/1999	CONNIE SEWELL COURT REPORTER-TRANSCRIPT FILED FOR HEARING ON OCT 12,99
0013	10/29/1999	Order issuing data request; response due 11/12
M0018	11/12/1999	ANTHONY MARTIN COLUMBIA GAS-BRIEF OF THE COMMUNITY ACTION COUNCIL
M0019	11/12/1999	COLUMBIA GAS RICHARD TAYLOR-POST HEARING BRIEF
M0020	11/12/1999	COLUMBIA GAS RICHARD TAYLOR-RESPONSE TO PSC ORDER OF OCT 29,99
0014	01/20/2000	Memorandum regarding Small Volume Gas Transportation Service
0015	01/27/2000	FINAL ORDER; APPROVES SMALL VOLUME GAS TRANSPORTATION PROGRAM ON PILOT BASIS
M0021	02/04/2000	STEPHEN SEIPLE COLUMBIA GAS OF KY-NOTIFICATION CONCERNING FILING EVALUATION
M0022	02/18/2000	COLUMBIA GAS STEPHEN SEIPLE-PETITION FOR REHEARING
M0023	03/01/2000	ANTHONY MARTIN COMM ACTION COUNCIL-JOINT RESPONSE TO PETITION FOR REHEARING OF COLUMBIA G
0016	03/06/2000	Order granting rehearing
M0024	03/16/2000	COLUMBIA GAS-TESTIMONY OF JUDY M COOPER
M0025	03/16/2000	COLUMBIA GAS-TESTIMONY OF SCOTT PHELPS
0017	03/20/2000	Order scheduling 4/25 hearing; sets procedural schedule
M0027	03/28/2000	COLUMBIA GAS-REHEARING BRIEF
M0026	03/29/2000	JOHN DOSKER STAND ENERGY CORP-COMMENTS
0018	04/04/2000	Order issuing data request; response due 4/14
M0028	04/14/2000	ANDREW J. SONDERMAN/COLUMBIA GAS-TO COMMISSION'S ORDER DATED APRIL 4, 2000
M0029	05/03/2000	JUDY COOPER/COLUMBIA GAS-RESPONSES TO QUESTIONS POSED AT THE HEARING OF APRIL 25, 2000

Columbia Gas of Kentucky

Stephen R. Byars
Director
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Note: New Area Code
859

RECEIVED
MAY 26 2000
PUBLIC SERVICE COMMISSION

May 26, 2000

Mr. Martin J. Huelsmann
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

RE: Columbia Gas of Kentucky, Inc.
Case No. 1999-165

Dear Mr. Huelsmann:

Pursuant to the Commission's Order of May 19, 2000, Columbia Gas of Kentucky, Inc., ("Columbia") hereby advises the Commission that it intends to implement the Customer Choice program. Columbia will report to the Commission its progress on customer education program activities as soon as such information becomes available. In addition, we would appreciate the opportunity to conduct an education session at an appropriate time with any Commission staff that might be interested.

We truly welcome the opportunity to provide Customer Choice to our customers in Kentucky and believe that they will enjoy the benefits from this opportunity just as customers of our sister companies in other jurisdictions have. Please know that we intend to dedicate all the effort necessary in order to implement a program of which both Columbia and the Commission will be proud.

We will hold a press conference to publicly announce the program and kick-off the customer education blitz within the next 60 days. I will keep you up to date with our progress and welcome any questions you may have between now and then.

Sincerely,

Stephen R. Byars

Stephen R. Byars

Cc: Dr. B. J. Helton
Edward J. Holmes
Gary W. Gillis

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 1999-165
COLUMBIA GAS OF KENTUCKY, INC.

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on May 19, 2000.

See attached parties of record.

Stephanie Bell

Secretary of the Commission

SB/sa
Enclosure

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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

On March 6, 2000, the Commission granted rehearing to Columbia Gas of Kentucky, Inc. ("Columbia") for the purpose of further considering three issues: the continuation of Columbia's gas cost incentive mechanism; the legal status of natural gas marketers in relation to Columbia for purposes of the pilot program; and the restructuring of the stranded cost/recovery pool as it relates to capacity release, expiring contract revenues, and the ability of marketers to compete. Columbia briefed the issues related to marketer participation in its proposed Customer Choice pilot program and also filed testimony on the rehearing issues. After Columbia provided additional information requested by the Commission, a hearing was held on April 25, 2000, at the Commission's offices in Frankfort, Kentucky.

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

1. In light of the additional evidence in support of the expected benefits an incentive mechanism will have on stranded cost mitigation, Columbia should be allowed

to retain as an incentive 25 percent of off-system sales revenues. This sharing should occur on an annual basis over the term of the pilot program. Although Columbia's proposal was to continue to share in capacity release revenues as well, the Commission believes it is more appropriate that those revenues be credited to sales customers' gas cost as required by the Order of January 27, 2000.

In order to determine the appropriate sharing mechanism, the Commission divided projected excess revenues (approved revenue opportunities minus approved transition costs adjusted for reduced GCR Demand costs) of $4.373 million by estimated off-system sales revenues over the life of the pilot of $17.96 million.[1] This methodology has the benefit of giving Columbia the incentive to maximize off-system sales revenues, and therefore revenue opportunities, over the life of the program, but also targets the amount of expected excess revenues so that there is no excess of cost or revenue at the end of the program.

In the event that the stranded cost/recovery pool contains excess revenues at the end of the pilot program, the excess should be credited on a throughput basis to both sales and Customer Choice customers. If stranded costs exceed revenue opportunities at the end of the pilot, Columbia will be at risk for the under-collection. This reverses the Commission's earlier clarification that Columbia could file to recover any excess prudently incurred stranded cost.

2. On rehearing the Commission accepts that Columbia did not intend for marketers to be considered agents of Columbia, but as agents of the Customer Choice

[1] The resulting percentage is 24.35. For ease of administration, this has been rounded-up to 25.

customers. The Commission continues to believe, however, that customers can be adequately protected and that the Customer Choice pilot program can be administered pursuant to the terms of Columbia's proposed tariff. For the duration of the pilot, the Commission's jurisdiction over Columbia should be sufficient to protect customers, since a marketer may participate in the program only under the terms of the aggregation agreement contained in Columbia's tariff. Columbia retains a great deal of control over the program and, accordingly, will be held accountable in the event of marketer non-compliance with Columbia's tariff and aggregation agreement. In addition, certain information must be filed with the Commission concerning marketers authorized to participate in the Customer Choice program. After it has approved a marketer, Columbia should file with the Commission the name and address of the marketer; a contact person for dispute resolution with a copy of dispute resolution procedures; certification that the marketer is credit worthy; a copy of the marketer's standard contract; and a copy of the aggregation agreement signed by marketer and Columbia.

3. Further reconsideration of the effect of the Commission's Order on marketer participation has not changed the Commission's initial determination that the stranded cost/recovery pool should not include capacity release revenues or expiring contract revenues. Including these revenues in the pool as proposed by Columbia would result in over-funding the pool since the amount of GCR Demand Cost has been reduced. The Commission continues to find that it is more appropriate for marketers to compete against Columbia's sales customers' actual gas cost as reduced by capacity release revenues, than to maintain sales customers' demand cost at a historic level in order to make marketers' gas cost more attractive.

IT IS THEREFORE ORDERED that:

1. Columbia's requested relief regarding continuation of the gas cost sharing mechanism is denied in part and granted in part. The Commission affirms its original decision to deny continuation of the gas cost incentive program originally approved in Case No. 96-079.[2] An alternate incentive sharing mechanism shall be approved, however, with Columbia's portion being distributed to it on an annual basis over the term of the pilot program. Columbia's portion shall consist of 25 percent of off-system sales revenues. Any excess revenues remaining in the stranded cost/recovery pool at the end of the program shall be credited to sales and Customer Choice customers on a throughput basis. Columbia will be required to absorb any excess of stranded cost remaining in the pool.

2. Within 20 days of the date of this Order, Columbia shall file language amending Original Sheet No. 58 or 59, the Stranded Cost/Recovery Pool section, setting out the incentive sharing mechanism approved herein.

3. Columbia's requested relief regarding the designation of marketers as its "agents" is granted. The Commission shall, for the purposes of this pilot program, exert jurisdiction over marketers, as necessary, through its jurisdiction over Columbia, its tariffs and aggregation agreements.

4. The Commission's Order of January 27, 2000 is modified to the extent that Columbia need not amend its tariff language to designate marketers as agents.

---

[2] Case No. 96-079, The Tariff Filing of Columbia Gas of Kentucky, Inc. to Implement Gas Cost Incentive Mechanisms.

5. Columbia shall notify the Commission immediately upon its determination that a marketer is qualified to participate in its Customer Choice program. Within 15 days of this notification, Columbia shall file with the Commission the following information: the name and address of the marketer; a contact person for dispute resolution; a copy of dispute resolution procedures; certification that the marketer is credit worthy; a copy of the marketer's standard contract; and a copy of the aggregation agreement signed by the marketer and Columbia.

6. The Commission's Order of January 27, 2000 is affirmed with regard to the issue of excluding capacity release revenues and expiring contract demand revenues from the recovery pool: marketers shall be required to compete based on the actual cost of sales customers' gas.

7. Within 10 days of the date of this Order, Columbia shall notify the Commission whether it intends to implement the Customer Choice program.

8. Should it decide to implement the Customer Choice program approved herein, Columbia shall report to the Commission on the progress of its customer education program activities as such information becomes available.

9. Unless specifically modified herein, all other provisions of the Commission's Orders entered in this proceeding on January 27, 2000 and March 6, 2000 shall remain in full force and effect.

Done at Frankfort, Kentucky, this 19th day of May, 2000.

By the Commission

ATTEST:

Deputy Executive Director

Columbia Gas
of Kentucky

Lexington Office:
PO Box 14241
Lexington, KY 40512-4241

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Note: New Area Code
859

May 3, 2000

Mr. Martin Huelsmann
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

RECEIVED

MAY 03 2000

PUBLIC SERVICE
COMMISSION

RE: Columbia Gas of Kentucky, Inc.
Case No. 99-165

Dear Mr. Huelsmann,

Attached are an original and ten copies of responses of Columbia Gas of Kentucky Inc. to questions posed at the hearing held in this case on April 25, 2000. Copies have been mailed to those on the service list as well. If you need further information, please do not hesitate to call me at (859) 288-0242.

Sincerely,

Judy Cooper

Judy M. Cooper
Manager, Regulatory Services

cc: Service List

Q: Provide the incidence rate of complaints about marketers by Choice customers in Ohio.

A: Please see the attached report of customer concerns from Columbia Gas of Ohio.

Q. How does the CPA Capacity Release Incentive Program work?

A. A benchmark is set in terms of dollars of revenue per year. That benchmark is currently $839,344. Surrounding the benchmark is a deadband from 85% to 115% of the benchmark. If annual revenues fall short of the deadband, Columbia pays for some of the shortfall; 25% of the shortfall between 85 and 75% of the benchmark, and 50% of the shortfall below 75% of the benchmark. If revenue exceeds the deadband, Columbia shares in a portion of the revenue; 25% of the revenue between 115% and 125% of the benchmark, and 50% of the revenue that exceeds 125% of the benchmark. If annual revenues fall within the deadband there is no cost or revenue sharing by Columbia. In addition, revenue will be credited to a stranded cost rider equal to $1.20 per Dth per month of FTS capacity not assigned to gas marketers under the Choice program with a minimum annual credit of $157,000. The annual revenues received under the Capacity Release Incentive program are first reduced by the credit to this credit to the stranded cost rider before determining how the annual revenue level compares to the benchmark.

Q. Explain how CPA's off system sales program works?

A. Columbia retains all off system sales revenue, but must provide a 13.4 cent credit the Purchased Gas Commodity rate of its retail sales customers. This credit was a negotiated amount, and will remain the same regardless of what the actual off system sales revenues are in a given year.

Q. Explain how CPA's stranded cost rider is calculated?

A. CPA's stranded cost rider is calculated according to the methodology set forth on the attached pages 147 and 148 of its tariff. In addition to the rate itself, the total surcharge billed also includes an annual reconciliation factor and a recovery factor for Choice administration costs.

Columbia Gas of Ohio
Customer CHOICE Program Report, April 1999 – March 2000

Customer concerns by marketer for April 1999 – March 2000

Marketer	Customer concerns for the report year	Percent of the marketer's customers
A	1	0.03%
BA	1	0.83%
C	32	0.41%
CA	1	0.03%
D	270	0.22%
E	161	0.24%
F	4	0.07%
FA	18	1.33%
G	6	0.03%
H	57	1.23%
J	11	0.30%
K	9	0.10%
L	1	4.35%
N	233	0.30%
O	9	0.15%
Q	33	0.04%
R	25	0.11%
S	16	0.05%
U	7	0.31%
V	13	0.06%
Y	16	0.31%
Z	18	0.16%
TOTAL	1078	0.21%

RIDER CC - CUSTOMER CHOICE

This Rider has been established to recover costs related to providing Customer Choice to Customers in Pennsylvania. The rate shall include an amount for recovery of capacity offered, but not taken, by the NGS under Choice Service.

In addition to the charges provided in this tariff, an amount shall be added to the otherwise applicable charge for each Mcf of sales volumes or distribution volumes distributed by the Company to Customers receiving service under Rate Schedules RSS, RDS, PS, SGS, and SCD, or successor rate schedules, as provided below.

RATES

	Rate per Mcf
RSS/PS/SGS	$.0402
RDS/SGS-DS/SCD	$0.0382

Provided, that no charge shall be applicable to Customers enrolled in the Company's Customer Assistance Plan ("CAP").

Provided, further, that the Company may reduce or eliminate the otherwise applicable charge to any Customer if it is reasonably necessary to do so to meet competition from an alternative fuel, including gas from another supplier of gas that has constructed, or could construct, facilities to deliver gas to the Customer without use of the Company's facilities. The Company will notify Customer of the applicable rate if lower than the applicable rate set forth above, four (4) days prior to the beginning of each billing month, unless the rate is the same as charged by the Company in the prior month. Such reduction or elimination of the charge shall be the second charge following Transition Cost under Rider TC eliminated or reduced before any reduction is made to the other charges under this tariff.

CALCULATION OF RATE

The initial rate, calculated under this rider, will be based upon the cost of capacity offered, but not taken by the NGSs under Choice Service. The rate calculation shall be filed with the Pennsylvania Public Utility Commission 10 days prior to the effective date of the rate, which will be November 1, 1997. Each year thereafter, the rate calculation shall be filed with the Pennsylvania Public Utility Commission 10 days prior to the effective date of the rate.

The rate per Mcf shall be computed by dividing the Company's projected unassigned capacity cost for the year by the projected annual sales and distribution volumes under Rate RSS, Rate PS, Rate SGS, Rate RDS and Rate SCD for the months of November through October. The Company's projected unassigned capacity cost will be developed using the Columbia's estimate of Customer participation throughout the program year, recognizing ongoing enrollment. In developing rates, projected distribution at flex rates shall be excluded from the volume used to develop the charge. Sales rates shall include applicable gross receipts tax.

Commencing November 1, 1998, Rider CC will include (1) a cost for recovery of the capacity offered, but not taken by the NGSs under Choice Service; plus (2) recovery of 70% (seventy percent) of estimated education costs with regard to the enrollment and implementation of the third year of the Columbia Choice Pilot Program, not to exceed recovery of $400,000, less (3) an estimate of the capacity credit, as defined below.

RIDER CC - CUSTOMER CHOICE (Continued)

CALCULATION OF RATE - Continued

Commencing November 1, 1999, Rider CC will include (1) a cost for recovery of the capacity offered, but not taken by the NGSs under Choice Service; less (2) an estimate of the capacity credit, as defined below. The cost of capacity offered but not taken shall also include that portion of any payments made to suppliers to accept assignment of capacity on interstate pipelines other than Columbia Gas Transmission Corporation that is not recoverable under the Purchased Gas Cost Rider.

Commencing January 1, 2001, Columbia will recover $.0100/Mcf over amounts otherwise recoverable, applicable to all volumes subject to Rider CC for recovery of Choice administration costs.

The calculation of the rate under this rider shall be subject to the Maximum Surcharge provisions, as provided below.

DEFINITION OF CAPACITY COST

Capacity Cost shall include those charges for Columbia Gas Transmission Corporation's Firm Transportation Capacity of a Customer or Customer group who have selected an NGS under Choice Service, and that NGS has obtained an alternative firm pipeline capacity for such Customers as described in the Rules Applicable to Distribution Service.

ANNUAL RECONCILIATION

The annual reconciliation filing to be effective November 1, 2000 shall include a reconciliation of (1) experienced unassigned capacity costs less the capacity credit, as defined below to (2) experienced recoveries for the preceding 12 month period ended October 31. The reconciliation shall be filed 10 days prior to the effective date. The rate will be designed to recover or refund the applicable under or over recovery over the 12 month period beginning November 1. Each annual reconciliation shall also provide for refund or recovery of amounts necessary to adjust for over or under recoveries of amounts included in prior reconciliations. Beginning with annual reconciliation filings to be effective November 1, 2000, no amount will be included for reconciliation of education costs except for reconciliation of prior over/under recoveries from the 1998-1999 Choice program.

MAXIMUM SURCHARGE

The maximum rate to be charged hereunder, exclusive of prior period reconciliations, shall be $.0400 per Mcf, exclusive of gross receipts tax. Beginning November 1, 2000, the maximum rate to be charged hereunder, exclusive of prior period reconciliations, shall be 1% of the residential volumetric rate.

The charge of $.0100/Mcf under Rider CC, applicable beginning January 1, 2001, shall not be considered as consuming any portion of the maximum rate and such charge shall not be reconcilable.

CAPACITY CREDIT TO RIDER CC

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.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

APR 14 2000

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 ORDER DATED APRIL 4, 2000 ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.

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Attorneys for
COLUMBIA GAS OF KENTUCKY, INC.

April 14, 2000

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
CASE NO. 99-165
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
IN ORDER DATED APRIL 4, 2000**

Question No. 1

Describe in detail all specific capacity release and off-system sales activities in which Columbia no longer has the incentive to engage, absent the Commission's restoring Columbia's gas cost incentive sharing mechanisms.

Response:

By definition, absent the Commission's restoration of Columbia's gas cost incentive sharing mechanisms, none of Columbia's capacity release or off-system sales activities hold any financial incentive for Columbia to engage in. Specifically, Columbia will no longer have a financial incentive to engage in the incentive sharing mechanisms related to capacity release and off-system sales activities originally proposed for continuation by Columbia in this proceeding, absent the Commission's restoration of the sharing mechanisms. These mechanisms were first authorized by the Commission in Case No. 96-079 by Order dated July 31, 1996.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
CASE NO. 99-165
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
IN ORDER DATED APRIL 4, 2000

Question No. 2

Under Columbia's financial model as modified by the Commission, all off-system sales revenue is used to offset stranded costs. If Columbia's gas cost incentive mechanisms are restored as Columbia requests, there will be less off-system sales revenue available to delay Phase II of capacity assignment. Specifically, there will be $6,284,000 less available in off-system sales revenues. Even if customers' capacity release sharing portion of $2,904,000 is restored, there will still be $3,380,000 less available to off-set stranded costs. Explain why Columbia believes this situation to be preferable in terms of delaying or avoiding Phase II of capacity assignment, and how this approach will benefit its customers and the Customer Choice program.

Response:

Incentives are adopted because parties believe that results improve with financial incentive. Based on this idea, which Columbia agrees with, it is Columbia's position that 65% of a revenue stream with financial incentive for the party can be greater than 100% of a revenue stream without such an incentive. Therefore, if incentives help to create better results, as we believe they will, then Columbia's efforts will support the delay of Phase II of the program. If Phase II can be delayed, then the program will remain more viable to marketers than it otherwise would. If the program is more viable for the marketer, there will be greater opportunities for customers to have meaningful supplier choices and meaningful cost savings.

In the model filed in April 1999, the dollars associated with pipeline contracts terminating prior to 2004 were built into the GCR Demand Stranded Cost and offset in the Revenue Opportunities by Expiring Contracts (on an average cost per Mcf basis). Denial of the Expiring Contracts offset in Revenue Opportunities means that the GCR Demand Stranded Costs in Appendix B of the Commission's January 27, 2000 Order are overstated because Columbia can no longer employ this methodology of calculating Stranded Costs. As I stated in my testimony, Columbia will have to compute the dollars associated with each pipeline contract independently based on whether it is used for sales customers or is stranded by customers converting to Choice. Columbia will assume that contracts that expire prior to 2004 are allowed to expire because those volumes would no longer be needed to serve sales customers due to their conversion to Choice; thus, they would not generate any stranded cost. As a result, the reduced total for GCR Demand

Stranded Cost is estimated to be $23,445,000. Columbia's response to Question No. 3 illustrates the calculation for the month of January 2002. Incorporating the results of the Commission's treatment of Expiring Contracts and including the gas cost incentive sharing mechanism, which results in 65% of the revenue from off system sales and capacity release being directed toward the funding of stranded costs, results in a net over-recovery of stranded costs by $996,000. This will allow Choice participation to increase to 37% at the end of the program before Phase II would need to be invoked. Revenue Opportunities would then equal Stranded Costs.

PSC Data Request Set 5
Question No.3
Respondent: Scott Phelps

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
CASE NO. 99-165
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
IN ORDER DATED APRIL 4, 2000

Question No. 3

Provide an example calculation, with any necessary narrative description, showing Columbia's intended treatment of stranded contract demand costs as described in the rehearing testimony of Scott D. Phelps.

Response:

In this example, Columbia has chosen January 2002 as the month for which stranded costs would be calculated. This month was chosen because it provides a mix of various capacity terminations and choice market growth, which makes it possible to see and understand the various interactions of the revenue and cost more clearly.

Total City-gate Capacity. In January 2002, the projected choice participation is 24.293 percent. As shown on line 8 of the Attachment SDP-1, Columbia's total contracted city-gate capacity for today's market is 245,546 Dth/day. This is the quantity originally contracted for to serve the entire firm group of customers.

Stranded City-Gate Capacity. Choice demand can be seen to be 59,650 Dth/day (24.293%) in January 2002 on line 8, column 5 of the attachment. This represents demand for which Columbia will no longer be buying gas. Before January 2002, Columbia will have had the opportunity to allow as much as 26,014 Dth/day of City-gate capacity to expire as the Choice market grows. Columbia would allow this capacity to expire to the extent possible as the demand from our remaining sales customers decreases. Therefore, the net stranded city-gate capacity remaining would be equal to 59,650 Dth/day, minus 26,014 Dth/day, or 33,636 Dth/day, as seen on line14, column 5 of the attachment.

Mix of Stranded City-Gate Capacity: Columbia currently has six firm capacity contract arrangements at our city-gates that comprise the 245,546 Dth/day. Three of these can expire prior to October 2004: Columbia Transmission (TCO) FT at Broad Run, Tennessee at Mavity, and Cove Point. In addition, the existing Local Gas supply must remain dedicated to sales customers through the program for operational reasons. Therefore, the remaining city gate contracts would be the TCO FT Leach and TCO SST/FSS arrangements. Once expired contracts and dedicated local gas is deducted as shown on line 14 of the attachment, we can calculate that 15.834 percent of this TCO FT Leach and TCO SST/FSS capacity will be stranded, and the other 84.166 percent will be required to cover the requirements of the remaining sales customers.

Stranded Upstream Capacity. In addition to the city gate capacity, Columbia has two upstream contracts, Gulf FTS-1 at 28,991 Dth/day and Tennessee Greenup at 20,506 Dth/day. As shown on lines 25 and 26 of the attachment, projected choice participation of 24.293 percent in January 2002 will strand 24.293 percent of these two upstream capacities.

Determining Stranded Cost.
In this illustration, we have summarized how the stranded cost would be calculated in January 2002 if all of our assumptions and estimates came to pass. Columbia would apply then current contract demand charges to the stranded capacities to determine stranded cost. The total gas supply related stranded cost for January 2002 shown on line 28 of the attachment is $393,456.

Columbia Gas of Kentucky
Allocation of Capacity and Cost
Illustration for January 2002

Projected Choice Participation in January 2002 = 24.293%

Line No.	Contract (1)	Quantity Dth/Day (2)	Projected Disposition in 2002 (3)	Capacity in Dth/Day: To Serve Remaining Sales Customers (4) (2) - (5)	Capacity in Dth/Day: Stranded (5)		Stranded Portion of Capacity (6) (5)/(2)	Projected Demand Rates (7)	Projected Stranded Cost (8) (5) x (7)
1	**City-Gate Capacity**								
2	TCO FT Leach	21,552	In Effect						
3	TCO FT Broad Run	20,014	Terminated						
4	TCO SST	190,880	In Effect						
5	Tennessee Mavity	1,000	Terminated						
6	Cove Point	5,000	Terminated						
7	Local	7,100	Required For Sales						
8	Total City-Gate	245,546		185,896	59,650	A/	24.293%		
9	**Less:**			-					
10	TCO FT Broad Run	20,014	B/	-	20,014	B/			
11	Tennessee Mavity	1,000	B/	-	1,000	B/			
12	Cove Point	5,000	B/	-	5,000	B/			
13	Local	7,100	C/	7,100					
14	Equals Net Total City-Gate	212,432		178,796	33,636		15.834%		
15	**Breakdown of Net**								
16	**Total City-Gate**								
17	TCO FT Leach	21,552		18,140	3,412	D/		$ 7.507	$ 25,614
18	TCO SST	190,880		160,656	30,224	D/		$ 7.053	213,170
19	TCO FT/SST	212,432							
20	TCO FSS:								
21	TCO FSS MDSQ	190,880		160,656	30,224	D/		$ 1.734	$ 52,408
22	SCQ	9,557,942		8,044,537	1,513,405	D/		$ 0.0333	50,396
23	City-Gate Stranded Cost								$ 341,588
24	**Upstream Capacity**								
25	Columbia Gulf	28,991		21,948	7,043	E/		$ 3.382	$ 23,819
26	Tennessee Greenup	20,506		15,524	4,982.0	E/		$ 5.630	$ 28,049
27	Upstream Stranded Cost								$ 51,868
28	Total Stranded Cost								$ 393,456

A/ 245,546 x 24.293%
B/ Terminated contracts.
C/ Local gas dedicated to sales customers.
D/ Column 2 x 15.834%.
E/ Column 2 x Choice participation rate of 24.293%.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
CASE NO. 99-165
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
IN ORDER DATED APRIL 4, 2000

Question No. 4

Columbia distribution companies in several other states have some form of Small Volume Gas Transportation ("SVGT") program in place, either as a pilot program or on a more permanent basis. For each of these companies provide a detailed description of any utility/shareholder incentive mechanisms built into its program.

Response:

Columbia has a form of small commercial and residential gas transportation (Choice) programs in Maryland, Pennsylvania, Ohio, and Virginia. Off-system sales and capacity release incentive mechanisms, as they pertain to the Choice program, are described for each company below.

<u>Columbia Gas of Maryland, Inc. (CMD)</u>

CMD has incentive programs related to both off-system sales and capacity release. These incentive programs pre-date and were not "built into" CMD's Customer Choice program. Columbia keeps a percentage from all transactions under the two incentive mechanisms, with the remaining revenue being credited to the retail gas cost calculation. The CMD Choice program is a relatively small pilot program, which provides for mandatory capacity assignment and no stranded gas supply costs.

<u>Columbia Gas of Pennsylvania, Inc. (CPA)</u>

CPA's off-system sales and capacity release incentive programs were not "built into" CPA's Customer Choice program. Like the CMD incentive programs, the CPA incentive programs pre-date Choice and have run in parallel with the Choice program as it has grown. CPA's earlier off-system sales programs involved predetermined percentages of revenue to be shared with retail customers. The current program however, calls for CPA to keep 100% of off-system sales revenue in return for a predetermined credit per Mcf to the retail gas cost calculation. With regard to capacity release, CPA receives a share of capacity release revenues once a benchmark is surpassed. Within the Choice program, CPA manages a stranded cost "rider" which is billed to customers on an ongoing basis. The purpose of this rider is to cover stranded gas supply costs as they develop. To the extent the rider is determined by CPA to be insufficient to cover stranded costs, CPA may initiate mandatory capacity assignment designed to eliminate additional stranded costs. A small portion of CPA's capacity release revenue is added to the revenue from the rider to help mitigate stranded costs.

Columbia Gas of Ohio, Inc. (COH)

COH's Choice program provides participating marketers with the choice to take assignment of pipeline and storage capacity, or to obtain their own. Therefore, to the extent capacity is not assigned to the marketers, stranded gas supply costs are created. Revenue from off-system sales, short-term capacity release, capacity assignment to Choice marketers, and balancing fees are all applied against stranded costs. Revenue from long term capacity release and other actions that result in reductions in demand costs is retained by COH. To the extent that stranded costs are underfunded at the end of the program, October 31, 2004, COH pays for the underfunding. If stranded costs are overfunded, COH retains the overfunded amount.

Columbia Gas of Virginia, Inc. (CGV)

CGV currently operates a limited Choice pilot program. CGV has no incentive program for off system sales and capacity release. State legislation to become effective this summer in Virginia will tend to promote mandatory assignment for any programs that LDC's wish to file because there is no provision for recovery of stranded costs and no indication that there will be incentives for off system sales and capacity release.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
CASE NO. 99-165
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
IN ORDER DATED APRIL 4, 2000

Question No. 5

Columbia proposes that its gas cost incentive mechanisms be restored and indicates specifically what portion of capacity release revenue will result from releasing capacity not taken by marketers to serve their customers.

a. Indicate whether Columbia has considered any alternatives regarding capacity release or off-system sales other than those provided in Columbia's original application and repeated in the rehearing testimony of Scott D. Phelps.

b. If Columbia has not considered other alternatives, explain whether it considers there to be only two potential outcomes in this area: either its proposal or the Commission's January 27, 2000 decision.

Response:

a. Columbia has discussed alternatives regarding capacity release and off-system sales to those provided in its filing.

b. It is not Columbia's position that there are only two feasible outcomes in this area. However, Columbia's original proposal was made for the reason that in the opinion of Columbia and its collaborative group, it is the best approach and makes the most sense. Since the Commission's Order of January 27, 2000, Columbia has been evaluating and reacting to said Order and its potential ramifications.

   Columbia believes that the option presented in response to Question 2 provides a good solution for all parties. Restoring the incentive program allows Columbia to perform to recover stranded costs, allows marketers to enroll more customers before Phase II is employed and allows more customers to participate in Customer Choice.

PSC Data Request Set 5
Question No.6
Respondent: Judy Cooper

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
CASE NO. 99-165
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
IN ORDER DATED APRIL 4, 2000

Question No. 6

Given its position on the manner in which the Commission should exert its jurisdiction over marketers explain whether it is Columbia's intention to provide the Marketer information required by the Order of January 27, 2000.

Response:

Assuming Columbia goes forward with implementation of the SVGT program, it is Columbia's intention that it will provide the information required on pages 21 and 22 of the Commission's January 27, 2000 Order.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
CASE NO. 99-165
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
IN ORDER DATED APRIL 4, 2000

Question No. 7

For each of the jurisdictions in which Columbia distribution companies are offering SVGT programs provide the following information:

a. The specific statues and regulations governing the state commission's authority to regulate marketers.

b. A detailed description of how the commission in each of those states is addressing the regulation of marketers pursuant to its statutory authority.

Response:

a. **Maryland** – The State of Maryland has not yet passed natural gas restructuring legislation; however, House Bill 1134 was passed by both the house and the senate in late March 2000.

Ohio – There are no Ohio statutes that expressly authorize the Public Utilities Commission of Ohio to regulate marketers, and the Public Utilities Commission of Ohio does not regulate marketers.

Pennsylvania – In Pennsylvania, the Natural Gas Choice and Competition Act (66 Pa. C.S.A.) 2201 et seq.) established competition and customer choice in Pennsylvania's natural gas market. Section 2208 of the Natural Gas Choice and Competition Act gives the Pennsylvania Public Utility Commission the authority to require a license of marketers and sets forth the requirements for natural gas suppliers.

Virginia – See Section 56-235.8(F) [part of SB 185, which is awaiting the signature of the Governor] that governs the licensure of gas marketers.

b. **Maryland** -- Columbia Gas of Maryland, Inc.'s Choice program is being provided on a voluntary pilot basis. Presently, the Commission only regulates marketers through tariff provisions in Columbia Gas of Maryland's tariffs.

Ohio – The Public Utilities Commission of Ohio does not have statutory authority to regulate marketers. Nonetheless, as part of Columbia Gas of Ohio's Choice® program, the Ohio Commission has asked marketers to voluntarily submit contracts and program materials to the Commission's staff for its review. In addition, the Commission's Staff worked closely with Columbia Gas of Ohio and its Collaborative group to devise the marketer code of conduct included in Columbia Gas of Ohio's tariff. The code of conduct in the tariff generally requires marketers to cooperate with the Commission's staff as a condition of participation in Columbia Gas of Ohio's program. The Ohio Commission's "indirect" regulation of marketers has been successful, and the marketers have cooperated with the Commission's requests for information.

Pennsylvania – The Pennsylvania Public Utility Commission ("PUC") has established a procedure for the licensing of marketers in its July 15, 1999 Order in Docket Number M-00991248F0002. Under this Order, all entities wishing to provide natural gas supply services in Pennsylvania must obtain a license from the PUC. The PUC has also established interim guidelines to ensure customer consent to a change of natural gas suppliers in its November 4, 1999 Order in Docket Number M-00991249F0006. Additionally, the PUC's Final Order in Docket Number M-00991249F0004 establishes standards of conduct which Natural Gas Suppliers must follow if they are affiliated with a natural gas distribution company that is regulated by the PUC. Finally, the PUC's Order in Docket M-00991249F005 sets forth the customer information disclosure requirements that must be followed by both natural gas distribution companies as well as natural gas suppliers.

Virginia -- The licensure process is the subject of a rulemaking (Virginia State Corporation Commission Case No. PUE980812) to establish interim rules governing electric and natural gas retail access pilot programs.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
CASE NO. 99-165
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
IN ORDER DATED APRIL 4, 2000

Question No. 8

The first full sentence of page 2 of Columbia's Rehearing Brief filed March 28, 2000 states, "Assuming, arguendo, that the Commission does indeed possess the requisite statutory power to exercise authority over marketers participating in Columbia's Customer Choice program..." Explain whether Columbia believes there is come uncertainty as to the Commission's authority to exert jurisdiction over marketers.

Response:

Yes, Columbia believes that there is some uncertainty as to the Commission's authority to exert jurisdiction over marketers. As explained on page 6 of Columbia's Rehearing Brief, docketed in Case No. 99-165 on March 28, 2000:

> KRS 278.010 defines a utility as an entity that "owns, controls, or operates or manages any facility used or to be used for or in connection with...the distribution, sale or furnishing of natural or manufactured gas." A reasonable reading of the referenced statute implies that "facility" is intended to include those facilities traditionally associated with the provision of natural gas utility service, such as pipeline systems. Marketers participating in the program will not be engaged in the business of transporting or distributing natural gas through pipelines in Kentucky, and will not own, operate, control, maintain or repair physical plant typically associated with the transportation and distribution of natural gas. Marketers will simply be assisting customers by acting as buyers and sellers of natural gas as a commodity, arranging purchase and sale transactions, and assisting in arranging for the customers' transportation of the commodity through utility pipeline transportation and distribution facilities. Marketers will be acting as coordinators for buyers' and sellers' activities through contractual arrangements. Marketers will not own any physical facilities used to transport or distribute gas in Kentucky.

Because marketers do not own the type of facilities traditionally regulated by the Commission, Columbia believe that it can be argued that the Commission may not have the statutory authority to regulate marketers. However, since the Commission does regulate Columbia, Columbia has suggested in its Rehearing Brief that the Commission need not decide this issue now since the marketers can be made answerable to the Commission through the Commission's jurisdiction over Columbia and its tariff.

PSC Data Request Set 5
Question No.9
Respondent: Judy Cooper

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
CASE NO. 99-165
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
IN ORDER DATED APRIL 4, 2000

Question No. 9

Assuming the Commission concludes that it should exercise its jurisdiction of marketers through the provisions of Columbia's proposed tariffs, as per Columbia's request, explain whether Columbia intends to be answerable to the Commission for any and all consumer disputes involving marketers enrolled in the SVGT program.

Response:

Columbia intends to be available to mediate any and all consumer disputes involving marketers enrolled in the SVGT program. A consumer could make an initial complaint call to either the Commission or Columbia. If the Commission receives the call, Columbia will be available at the Commission's call to contact the marketer and work for a resolution of the complaint just as it would if the initial complaint were made directly to Columbia.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Response to Commission's Order dated April 4, 2000 was served upon the parties on the attached service list by regular U.S. Mail this 14 th day of April, 2000.

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

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

April 4, 2000

To: All parties of record

RE: Case No. 1999-165

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

Sincerely,

Stephanie J. Bell

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

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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

O R D E R

IT IS ORDERED that Columbia Gas of Kentucky, Inc. ("Columbia") shall file the original and 10 copies of the following information with the Commission, with a copy to all parties of record. 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 information is due April 14, 2000.

1. Describe in detail all specific capacity release and off-system sales activities in which Columbia no longer has the incentive to engage, absent the Commission's restoring Columbia's gas cost incentive sharing mechanisms.

2. Under Columbia's financial model as modified by the Commission, all off-system sales revenue is used to offset stranded costs. If Columbia's gas cost incentive mechanisms are restored as Columbia requests, there will be less off-system sales

revenue available to delay Phase II of capacity assignment. Specifically, there will be $6,284,000 less available in off-system sales revenues. Even if customers' capacity release sharing portion of $2,904,000 is restored, there will still be $3,380,000 less available to off-set stranded costs. Explain why Columbia believes this situation to be preferable in terms of delaying or avoiding Phase II of capacity assignment, and how this approach will benefit its customers and the Customer Choice program.

3. Provide an example calculation, with any necessary narrative description, showing Columbia's intended treatment of stranded contract demand costs as described in the rehearing testimony of Scott D. Phelps.

4. Columbia distribution companies in several other states have some form of Small Volume Gas Transportation ("SVGT") program in place, either as a pilot program or on a more permanent basis. For each of these companies provide a detailed description of any utility/shareholder incentive mechanisms built into its program.

5. Columbia proposes that its gas cost incentive mechanisms be restored and indicates specifically what portion of capacity release revenue will result from releasing capacity not taken by marketers to serve their customers.

a. Indicate whether Columbia has considered any alternatives regarding capacity release or off-system sales other than those provided in Columbia's original application and repeated in the rehearing testimony of Scott D. Phelps.

b. If Columbia has not considered other alternatives, explain whether it considers there to be only two potential outcomes in this area: either its proposal or the Commission's January 27, 2000 decision.

6. Given its position on the manner in which the Commission should exert its jurisdiction over marketers explain whether it is Columbia's intention to provide the marketer information required by the Order of January 27, 2000.

7. For each of the jurisdictions in which Columbia distribution companies are offering SVGT programs provide the following information:

a. The specific statutes and regulations governing the state commission's authority to regulate marketers.

b. A detailed description of how the commission in each of those states is addressing the regulation of marketers pursuant to its statutory authority.

8. The first full sentence on page 2 of Columbia's Rehearing Brief filed March 28, 2000 states, "Assuming, arguendo, that the Commission does indeed possess the requisite statutory power to exercise authority over marketers participating in Columbia's Customer Choice program. . . ." Explain whether Columbia believes there is some uncertainty as to the Commission's authority to exert jurisdiction over marketers.

9. Assuming the Commission concludes that it should exercise its jurisdiction of marketers through the provisions of Columbia's proposed tariffs, as per Columbia's request, explain whether Columbia intends to be answerable to the Commission for any and all consumer disputes involving marketers enrolled in the SVGT program.

Done at Frankfort, Kentucky, this 4th day of April, 2000.

ATTEST

By the Commission

Executive Director

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

March 28, 2000

Docketing Division
Kentucky Public Service Commission
211 Sower Blvd.
Frankfort, KY 40602-0615

RECEIVED
MAR 29 2000
PUBLIC SERVICE
COMMISSION

Re: Case No. 99-165

Gentlemen:

Enclosed please find an original and ten copies of Comments of Stand Energy Corporation for Rehearing in the captioned case. Also enclosed is an additional copy and a postage pre-paid self addressed envelope. Please date stamp the extra copy and it return it to me for my records.

Sincerely,

Jerry Borchert

Jerry Borchert

JB/kpsc032800

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
MAR 2 9 2000
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

* *

COMMENTS OF
STAND ENERGY CORPORATION

* *

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Attorney for:
STAND ENERGY CORPORATION

STAND ENERGY CORPORATION'S COMMENTS ON REHEARING

As a participant in the collaborative established by Administrative Case No. 367, Stand Energy Corporation ("SEC") offered several observations relative to the relationship between the Commission and independent marketers. That issue has become a point of concern in the instant Case No. 99-165.

SEC has maintained that independent marketers are just that; independent and not subject to oversight by regulatory bodies.

The Commission asserts it has regulatory authority over marketers based on its interpretation of KRS 278.010 and 278.020. SEC believes that this interpretation is faulty. According to KRS 278.010 (3)(b) "'Utility' means any person except a city, who owns controls or operates or manages any facility used or to be used for or in connection with: The production, manufacture, storage, distribution, sale, or furnishing of natural or manufactured gas, or a mixture of same, to or for the public, for compensation, for light, heat, power, or other uses;" SEC suggests that this definition refers to traditional utilities with distribution systems and not to simple resellers. The entire concept of deregulation is based on free market forces. Any attempt to exert direct authority over independent marketers will inevitably cause them to refuse to participate and, therefore, cause the program to fail.

Several factors need to be considered before a final decision on this issue is made. First and foremost, the Commission must understand that, even if it lacks direct oversight, independent marketers' activities will nevertheless be controlled by Columbia's approved tariff. Thus, the Commission will actually have indirect oversight. SEC points to the program of Columbia Gas of Ohio (COH) as an enlightening example of actual program participation.

To be accepted as an approved supplier in that program, marketers must abide by a "Code of Conduct," the terms of which had been previously approved by the Public Utilities Commission of Ohio (PUCO). Included in the Code of Conduct are provisions for dealing with violations. Depending on the severity of a violation, a marketer may be suspended from enrolling new customers for a certain period of time, or, in the extreme, be totally barred from further program participation. To the best of SEC's knowledge, these measures have not been necessary. In effect, the program is self-enforcing.

It is also important to understand that marketers participating in the program are not irresponsible, fly-by-night operators who will abandon customers. The Ohio experience shows that approved suppliers are well established firms with solid reputations. Even this issue is moot, however, because, under the terms of the tariff filed by Columbia, Columbia will remain the supplier of last resort. Thus, potential small volume customers are at zero risk for anything other than a *force majeure* situation, a risk that exists regardless of identity of the supplier.

In summary, Small Volume Gas Transportation Service, as propounded by Columbia, will have a positive impact on a substantial number of citizens of the Commonwealth.

SEC therefore requests that the Commission find that marketers are NOT utilities, that regulatory jurisdiction over Columbia offers sufficient oversight of those marketers and that Columbia's proposed tariff be accepted.

Respectfully submitted,

John M. Dosker

John M. Dosker
Attorney for:
STAND ENERGY CORPORATION

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Stand Energy Corporation's Comments on Rehearing was served upon all parties on the attached service list by regular U.S. Mail this 28th day of March, 200.

John M. Dosker

John M. Dosker
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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAR 28 2000

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

REHEARING BRIEF OF COLUMBIA GAS OF KENTUCKY, INC.

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Attorneys for
COLUMBIA GAS OF KENTUCKY, INC.

March 28, 2000

REHEARING BRIEF

I. PROCEDURAL BACKGROUND

On April 22, 1999, Columbia Gas of Kentucky, Inc. ("Columbia") filed an application to implement a small volume transportation program, the CHOICE®[1] program ("CHOICE program" or "the program."). The Commission held a hearing on October 12, 1999, and issued its Order on January 27, 2000.

Columbia filed a Petition for Rehearing on February 18, 2000, requesting that the Commission reconsider certain aspects of its Order. By Order dated March 6, 2000, the Commission granted Columbia's Petition for Rehearing in part, directing Columbia to file testimony on those issues which the Commission agreed to reconsider. Columbia witnesses Cooper and Phelps filed testimony in compliance with said Commission Order on March 18, 2000. The Commission then issued an Order on March 20, 2000, setting forth a procedural schedule for the Rehearing, and directing the parties to file briefs on the issue of marketer participation in the Customer CHOICE program, specifically concerning the issue of the Commission's duty to provide protections to ratepayers participating in the program, and discussing appropriate means by which the Commission can exercise its duty under law.

II. COMMISSION JURISDICTION OVER MARKETERS

The Commission asserts that it is authorized to exert regulatory authority over marketers via the provisions of KRS §§278.010 and 278.020. Commission Order dated

[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. 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.

January 27, 2000, at 21. Assuming, arguendo, that the Commission does indeed possess the requisite statutory power to exercise regulatory authority over marketers participating in Columbia's proposed Customer CHOICE program, Columbia maintains that the need for any such regulatory oversight can be met via the exercise of control over the requirements for program participation contained and set forth in Columbia's tariff. For example, marketers will be certificated to participate in Columbia's Customer CHOICE program only if they meet the requirements set forth in Columbia's tariff as approved by the Commission, and execute a contract with Columbia for aggregation. As the Commission noted in its Order dated January 27, 2000, on page 20, under Columbia's proposed program and tariffs, marketers are limited in their authority to supply commodity. The Commission also correctly noted that authority regarding continuing participation in the program by marketers is retained by Columbia. Columbia retains ultimate responsibility for the provision of gas to customers as the supplier of last resort, and authority over marketers, and is answerable to the Commission for such responsibility under the framework proposed.

Even though marketers are not Columbia's agents, Columbia exercises control over marketers participating in the program as the Commission recognized in its Order of January 27, 2000 at page 21. Again, even considering the fact that marketers are not Columbia's agents, they will not exercise the autonomy traditionally associated with a "utility" as defined in KRS 278.010, nor will they behave as such under the program. The Commission, through its control of Columbia, its approval of this pilot Customer CHOICE program, and its authority regarding the terms and conditions of Columbia's tariff will be able to exercise reasonable and adequate control over marketer behavior.

Pursuant to Columbia's tariff, Columbia and marketers will be answerable to the Commission as well as customers.

Under this arrangement, the Commission should find that its statutory directive to regulate utilities and provide certain protections to customers participating in the program will be fulfilled by its regulation of Columbia. No administrative regulations have been promulgated that establish how the Commission shall regulate marketers. Thus, it is within the Commission's purview to determine by Order the appropriate mechanisms to fulfill its statutory duty. As the Commission determined the appropriate mode of regulation of intrastate transporters in Administrative Case No. 297 by Order, so the Commission is within its authority to determine the appropriate oversight of marketers in Columbia's Choice program by Order.

As the Commission found in Administrative Case No. 297, marketers' activities regarding the arranging of gas supplies are self-regulating. Marketers participating in the CHOICE program will find that the realities of the market concerning arranging gas supplies will also be self-regulating. Marketers participating in Columbia's Customer CHOICE program will be performing the same activities as those considered by the Commission in Case No. 297. In fact, some of those same marketers who are currently providing gas supply services to large volume customers will be very likely to enter the small volume market made available under the program. Competition for customers, consistent with the proposed rules and requirements approved by the Commission in Columbia's tariff, will result in a comprehensive, cohesive framework for the Commission to discharge its duties under law, while still allowing market forces to flourish, to the benefit of Kentucky consumers. Marketers will be able to compete for business in an open market without the burden of traditional utility regulation. Customers, while enjoying the protections afforded by Commission oversight of the program, will ultimately determine who the winners and losers will be, as they should.

The Customer CHOICE program is proposed as a pilot that will continue for a limited period of time. Columbia has obligated itself to retain the utility obligation to satisfy the needs of small volume transportation customers, during the limited duration of the program. The Commission has regulatory authority over Columbia, and the application of its tariff and program provisions. Thus, the need for the Commission to exercise regulatory authority over marketers during this pilot is provided through its regulatory authority over Columbia. The call for the Commission to exercise traditional regulatory authority over marketers during the term of this pilot is virtually non-existent, based on the unanimous support of the proposed program by diverse key stakeholders in the collaborative process. Columbia submits that the question whether marketers are "utilities" subject to full regulation by the Commission, as stated by the Commission in its Order of January 27, 2000, does not require a full and final decision for the purposes of considering Columbia's Customer CHOICE application, especially considering the limited term of Columbia's proposed program.

Both Columbia and the Commission have expressed the desire to bring retail competition in the gas industry to Kentucky. The common goal then, is to launch an effective program, one that will be successful in terms of both customer and marketer participation. Indeed, in order to offer a vital and robust Customer CHOICE program, active marketer participation is essential. Columbia believes that marketers will be reluctant to participate in the proposed Customer CHOICE program if the Commission asserts full regulatory authority over them. If given alternatives in markets and states that do not impose traditional regulatory oversight, marketers will not enter Columbia's program. Instead, they likely will pursue business in other less burdensome venues.

KRS 278.010 defines a utility as an entity that "owns, controls, or operates or manages any facility used or to be used for or in connection with...the distribution, sale or furnishing of natural or manufactured gas." A reasonable reading of the referenced statute implies that "facility" is intended to include those facilities traditionally associated with the provision of natural gas utility service, such as pipeline systems. Marketers participating in the program will not be engaged in the business of transporting or distributing natural gas through pipelines in Kentucky, and will not own, operate, control, maintain or repair physical plant typically associated with the transportation and distribution of natural gas. Marketers will simply be assisting customers by acting as buyers and sellers of natural gas as a commodity, arranging purchase and sale transactions, and assisting in arranging for the customers' transportation of the commodity through utility pipeline transportation and distribution facilities. Marketers will be acting as coordinators for buyers' and sellers' activities through contractual arrangements. Marketers will not own any physical facilities used to transport or distribute gas in Kentucky.

It is entirely sufficient for marketers to be answerable to the Commission through the Commission's jurisdiction over Columbia and its tariff, which sets forth the certification requirements imposed upon marketers to participate in the program and the standards of operation once approved for the program. While the Commission may choose not to exercise traditional regulatory authority and control over marketers under

Columbia's proposed program, it can, through Columbia, exercise authority and indirect control over marketers participating in the program while reserving for another day the issue of whether marketers are utilities for the purposes of regulation.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Post-Hearing Brief was served upon the parties on the attached service list by regular U.S. Mail this 28 th day of March, 2000.

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March 20, 2000

To: All parties of record

RE: Case No. 1999-165

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

Sincerely,

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

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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 MECHANISM, AND TO CONTINUE ITS CUSTOMER ASSISTANCE PROGRAM	))))))	CASE NO. 99-165

O R D E R

Columbia Gas of Kentucky, Inc. ("Columbia") was granted rehearing on March 6, 2000, and filed its testimony on rehearing issues with the Commission March 16, 2000. In order to develop as complete a record as reasonably possible on the issues on rehearing, the Commission has developed a procedural schedule for the rehearing phase of this proceeding. One of the issues to be dealt with on rehearing involves the Commission's jurisdiction over marketers that may choose to participate in Columbia's Small Volume Gas Transportation ("SVGT") Program. Columbia has indicated, in both its rehearing petition and testimony, that marketers participating in the SVGT Program will not be acting as agents of Columbia. This raises numerous questions regarding marketer certification and Commission oversight of marketers that were not addressed in the initial phase of this proceeding. Therefore, the Commission finds that the parties to this proceeding should brief the issue of marketer participation in Columbia's SVGT Program. Given that the issue concerns the Commission's duty, under law, to provide certain protections to ratepayers that might choose to participate in the SVGT Program, Columbia and all other parties shall submit briefs on this issue by March 28, 2000. All other matters regarding the scheduling of events for the rehearing phase of this proceeding are set forth in the appendix attached hereto.

IT IS THEREFORE ORDERED that:

1. The parties to this proceeding shall file briefs in which they explore and discuss the appropriate means by which the Commission can exercise its duty, under law, to provide necessary protections to ratepayers under Columbia's proposed SVGT Program. These briefs shall also address possible modifications to Columbia's proposal that would better enable the Commission to exercise this duty.

2. The procedural schedule attached hereto shall be followed for the rehearing portion of this proceeding.

Done at Frankfort, Kentucky, this 20th day of March, 2000.

By the Commission

ATTEST:

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 99-165 DATED MARCH 20, 2000

All requests for information to Columbia shall be served upon Columbia no later than . . . . April 4, 2000

Columbia shall file responses with the Commission and serve upon all parties of record its responses to the requests for information no later than . . . . April 14, 2000

Public Hearing is to begin at 9:00 a.m., Eastern Daylight Time, in Hearing Room 1 of the Commission's offices at 211 Sower Blvd. In Frankfort, Kentucky, for purposes of cross-examination of witnesses . . . . April 25, 2000

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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	)	CASE NO. 99-165
VOLUME GAS TRANSPORTATION SERVICE,	)	
TO CONTINUE ITS GAS COST INCENTIVE	)	
MECHANISMS, AND TO CONTINUE ITS	)	
CUSTOMER ASSISTANCE PROGRAM	)	

PREPARED TESTIMONY ON REHEARING
OF SCOTT D. PHELPS
ON BEHALF OF
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March 16, 2000

PREPARED TESTIMONY ON REHEARING OF SCOTT D. PHELPS

Q: Please state your name and business address.

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

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, Gas Procurement for Columbia.

Q: Did you testify earlier in this proceeding?

A: Yes.

Q: Has your testimony regarding your educational background and qualifications changed since offering that testimony?

A: No.

Q: What is the purpose of your testimony?

A: The purpose of my rehearing testimony is first to explain why the Commission should approve Columbia's gas incentive program through the term of the pilot. Second, I will explain why the Commission should reconsider its decision to credit the customers' share of capacity release revenues to gas costs instead of stranded costs as the modification creates a disincentive to marketer participation.

Q: Why does Columbia believe it to be important to retain the incentive program?

A: Columbia believes that the incentive programs are necessary to help ensure the success of Columbia's proposed Customer Choice program. They will provide the incentive necessary for Columbia to achieve greater results in these developing markets upstream of the city gate, which can add value to the services Columbia provides its customers. The revenue earned with Columbia's off system sales and capacity release efforts will benefit customers through mitigation of stranded costs that are created in an effort to provide customers a choice in gas suppliers. The effect of this non-traditional revenue as a source for stranded cost mitigation is an important benefit to our customers, because it helps to defer the need for implementation of Phase II of the Choice program, wherein pipeline capacity is assigned to marketers on a mandatory basis. Deferring or preventing that event will allow for both greater marketer and customer participation, and enhance the opportunity for greater customer savings in the Choice program.

In order for revenues to be generated, Columbia must devote resources to the task. Columbia must compete in increasingly competitive markets upstream of the city gate. Product ideas and sales don't just appear on the doorstep. Columbia must determine its flexibility and capability to market different off system sales products on an ongoing basis, and then proactively go out into the market and find buyers, manage the transaction, invoice and collect the revenue. Our competition includes major wholesale marketing companies, the interstate pipelines, and other local distribution companies like Columbia, each with a profit incentive. The incentives authorized previously by the Commission have been critical to Columbia's efforts in these areas.

One assumption imbedded in Columbia's financial model for the Choice program was that the incentive program for Columbia's non-traditional off system sales and capacity release efforts would continue. In the Commission's model, these incentives for Columbia were eliminated, yet the total revenue from off system sales and capacity release were left unchanged. Columbia believes that incentives influence behavior, and make a difference in results.

Q: How does Columbia's success in its off system sales and capacity release programs cause other participants to experience a better Choice program?

A: There is a direct connection between Columbia's success at generating off system sales revenues and whether or not the mandatory assignment portion of the program will need to be implemented. Likewise, there is a direct connection between Columbia's success at generating off system sales and capacity release revenues and whether or not customers will be asked to fund the stranded cost pool at the end of the program. Columbia's success in its off system sales and capacity release efforts will result in the delay or suspension of the mandatory capacity assignment phase of the Choice program. Therefore, with productive incentive results, more marketers will participate and more customers will have the opportunity to save on their gas bills.

Q: Why did the Collaborative feel that it was important to design a program that provided benefits and incentives for all of the participants?

A: The Collaborative and Columbia recognize that transition, and changing the way customers think about their choices and services, is not easy. For this reason, Columbia and the Collaborative believe that in order to help ensure a successful Customer Choice program, every participant in the program, including Columbia, needs an incentive to participate and to contribute to the success of the program.

Q: What are the proposed incentives for the various participants?

A: For customers that choose to participate in the program, the incentive is the possibility of reduced costs and just as importantly for some, the <u>right</u> to choose among different suppliers and pricing options for their gas supply. For customers that continue to choose Columbia as their supplier, the incentive or benefit is still the right to make that Choice. The right of choice itself is no less a benefit simply because the customer chooses to continue purchasing from Columbia. For marketers, the incentive is the opportunity to gain market share behind an LDC that removes barriers to choice. Proposing constructive, innovative, and customer friendly methods for dealing with capacity assignment, billing, arrearages, and the like are examples of how Columbia's proposed program provides this opportunity.

The incentive for Columbia in the Choice filing was an opportunity to extend its authorized incentive program by expanding it outside its traditional boundaries. As presented above, Columbia's incentives by their nature benefit our customers as well as Columbia. Columbia believes that its incentive program is particularly valid at this time because Columbia's own success with incentives will directly benefit not only its customers, but also the proposed Choice program.

Q: In its Order granting rehearing, the Commission agreed to reconsider whether capacity release revenues should be credited to gas costs or stranded costs. Do you wish to comment on that issue?

A: Yes. There is good reason to direct capacity release revenue to the stranded cost pool. Most of the revenue forecasted in the financial model filed by Columbia is attributable to capacity stranded as a direct result of the Choice program. In fact, approximately 83% of the revenue reported is the direct result of releasing capacity not taken by Choice marketers to serve their customers. As Choice marketers are not taking capacity from Columbia to serve their customers, but are in fact removing customers from Columbia's firm demand capacity pool, the capacity that Columbia is left with will be released, and will generate revenue as a direct result of participation in the Choice program. Since capacity rejected by Choice marketers provides the bulk of the revenue, the mitigation achieved should reduce the stranded cost pool. To credit such revenue to gas costs will artificially reduce gas costs to sales customers, making entry into the market more difficult for the Choice marketers. Therefore, Columbia requests that capacity release revenue be credited to stranded costs instead of to gas costs.

Q: Given the modifications made to the proposed program by the Commission, does Columbia need to adjust its approach to calculating stranded costs?

A: Yes, the change in treatment of contracts that can be terminated requires Columbia to modify its approach to this calculation.

Q: How does Columbia plan to calculate stranded costs of the revised Choice program?

A: Each month, Columbia will allocate a proportionate share of its firm contracted capacity sufficient to meet the peak day requirement of its sales customers. The remaining capacity will be the proportionate quantity associated with the Choice customers' requirements; that capacity will be the stranded capacity. Applicable demand charges will be used to determine the stranded cost related to firm pipeline contract demand.

Q: What does Columbia request the Commission do with regard to the off system sales and capacity release incentive programs?

A: In recognition that incentives for Columbia will help facilitate a successful Choice program, Columbia requests that the Commission approve the continuation of Columbia's incentive programs for capacity release and off system sales as provided for in Columbia's filing. Incorporating the revisions addressed herein, Columbia's proposed program will provide appropriate incentives for all participants while maintaining a near equal balance of stranded costs and revenue opportunities and the end of the program.

Q: Does that conclude your rehearing 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 March, 2000.

Stephen B. Seiple (gmc)

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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

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PREPARED TESTIMONY ON REHEARING
OF JUDY M. COOPER
ON BEHALF OF
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March 16, 2000

PREPARED TESTIMONY ON REHEARING OF JUDY M. COOPER

Q: Please state your name and business address.
A: Judy Cooper, 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 Manager of Regulatory Services.

Q: What is your educational background?
A: I received a Bachelor of Science degree in Accounting from the University of Kentucky and a Masters in Business Administration from Xavier University.

Q: Please describe your employment history with Columbia.
A: I began my employment with Columbia in July 1998 in my current position. I am responsible for regulatory activities before the Kentucky Public Service Commission.

Q: Please describe your previous employment history.
A: I was previously employed by the Kentucky Public Service Commission from 1982 until July 1998. At the time of my departure, I was the Director of Financial Analysis. Previously I held positions as Branch Manager, Rates and Tariffs Division, Electric and Gas Rate Design, Energy Program Coordinator, Rate Analyst and Auditor.

Q: What is the purpose of your rehearing testimony?

A: The purpose of my rehearing testimony is to clarify that marketers are not Columbia's agents. Marketers are agents of their customers. Further, my testimony will demonstrate that the Commission can exercise regulatory oversight of marketers without finding that the marketers must be Columbia's agents.

Q: What is an agent?

A: An agent is one that acts for or as the representative of another, according to the American Heritage Dictionary.

Q: Why is it inaccurate to state that marketers are Columbia's agents?

A: It is inaccurate to state that marketers are Columbia's agents because marketers will not act for or as a representative of Columbia. Marketers will not purchase gas or sell gas on behalf of Columbia. Rather, under Columbia's proposed program, marketers will represent end-use customers and will aggregate supplies for numerous customers in compliance with Columbia's transportation tariffs. Under Columbia's proposed tariffs, each Choice customer will take title to gas at the point and time it is delivered to Columbia's city gate. From that point to the burnertip, deliveries must follow the rules of the tariff. Choice customers will utilize marketers to purchase gas and arrange for transportation and delivery service on the customer's behalf.

Q: Doesn't Columbia refer to marketers as agents in its proposed form of aggregation agreement?

A: Yes, but that designation of agency is intended to represent the relationship between end-use customers and marketers, not marketers and Columbia. Original Sheet No. 33 of Columbia's proposed tariff establishes the agency relationship between marketers and end-use customers wherein it states that aggregation service is only available to marketers that are acting "on behalf" of small volume transportation customers. The aggregation agreement was written with that perspective in mind. If the Commission deems it appropriate, Columbia will amend the aggregation agreement to prevent confusion.

Q: Do marketers control, operate or manage utility facilities?

A: No. Marketers are simply customer agents for the purposes of buying commodity gas supply and arranging for transportation service to deliver the commodity to Columbia's citygate for delivery by Columbia to the customer's burnertip. Columbia will retain operation, control and management of its facilities under the proposed program.

Q: The Commission's Order of January 27, 2000 found that Columbia's Customer Choice program differs in material respects from brokers and dealers of natural gas arranging supplies of natural gas as described in Administrative Case No. 297. Do you agree?

A: Only in part. I agree that some aspects of transportation under Columbia's Small Volume Gas Transportation Service and Small Volume Aggregation Service are materially different from transportation for large volume customers pursuant to Administrative Case No. 297. However, I do not agree that the marketers under Columbia's proposed program are materially different from the brokers and dealers described in Administrative Case No. 297.

Q: How do Columbia's small volume transportation services differ from its large volume transportation services?

A: Under either scenario, all brokers, dealers and marketers must abide by the terms and conditions set forth in Columbia's tariff. Small volume customers participating in Columbia's proposed program are protected because they are not at risk of losing gas supply. Columbia is committing to supply customer requirements, even in the case of a supply failure by a marketer. In contrast, there is no such back-up guarantee from Columbia for large volume transportation customers. Those customers are at risk of losing access to supply if their marketer fails. Other, less material, differences include the fact that small volume marketers must be certified and satisfy many requirements for customer enrollment; large volume marketers do not.

Q: How do marketers in Columbia's proposed program differ from the brokers or dealers of natural gas that the Commission found unnecessary to regulate in Administrative Case No. 297?

A: The marketers in Columbia's proposed program are in essence no different from the brokers or dealers referenced in Administrative Case No. 297. Both are in the business of arranging supplies of natural gas. In all cases, marketers relinquish title of the gas to customers at or before it reaches Columbia's city gate. There are many instances where a larger customer's marketer acts as a customer's agent for aggregating the flow of gas with the local distribution company. Small customer marketers will do the same. In the case of both, the marketplace will determine their value to their customers and thus their viability. The marketplace will serve to regulate their actions to a large degree.

In fact, for practical purposes calling some suppliers "marketers" and others "brokers and dealers" tends to broaden the perceived gulf between the two. Columbia sees no difference in the companies formerly referred to as brokers and dealers and those companies that we now refer to as marketers. Columbia's large volume transportation service tariff issued in 1995 refers to a customer's marketer or broker. In fact, any of the "brokers and dealers" serving larger customers may very well enter the market to serve smaller customers. If they do, the only distinction will be in the need to comply with Columbia's proposed program and certification requirements, the types of customers they will acquire, and the difference in Columbia's tariff schedule.

Q; Does the Commission have regulatory oversight of marketers if they are not agents of Columbia?

A: Yes, the Commission maintains regulatory oversight via the requirements in Columbia's tariff. The marketer is required to execute an Aggregation Agreement and comply with the requirements of Columbia's tariff. As the Commission noted in its Order dated January 27, 2000, on page 20, under Columbia's proposed program and tariffs the marketer is limited in its authority to supply the commodity. Columbia retains ultimate responsibility for the provision of gas to customers and authority over marketers. Even though the marketers are not Columbia's agents, Columbia exercises the same degree of control that the Commission recognized in its Order of January 27, 2000 at page 21. Marketers for small volume customers do not have the autonomy traditionally associated with a "utility" as defined in KRS 278.010 or even the autonomy currently afforded marketers for large volume customers, who are not currently actively regulated by the Commission.

As the Commission found in Administrative Case No. 297, the marketers are self-regulating. However, unlike for those large volume customers able to fend for themselves if their agent failed, Columbia retains the utility obligation to satisfy the needs of small volume transportation customers. Thus, as the Commission stated in its Order of January 27, 2000, the question of whether these marketers are "utilities" subject to full regulation by the Commission does not require a final decision during the limited term of Columbia's program.

Q: How are marketers answerable to the Commission?

A: Marketers are answerable to the Commission through the Commission's jurisdiction over Columbia's tariff which sets forth the certification requirements imposed upon marketers to participate in the program and the standards of operation once approved for the program. While the Commission may not choose to exercise traditional regulatory authority and control over marketers under Columbia's proposed program, it can, through Columbia, exercise authority and indirect control over marketers participating in the program.

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 Judy M. Cooper was served upon all parties of record by regular U.S. Mail this 16th day of March, 2000.

Stephen B. Seiple (JMC)

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Attorney for
COLUMBIA GAS OF KENTUCKY, INC.

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March 6, 2000

To: All parties of record

RE: Case No. 1999-165

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

Sincerely,

Stephanie J. Bell

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

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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

O R D E R

On February 18, 2000, Columbia Gas of Kentucky, Inc. ("Columbia") filed its petition for rehearing of the Commission's Order of January 27, 2000. Columbia asked that the Commission reconsider, revise, and clarify its Order. In the alternative, Columbia requested that it be allowed to withdraw its April 22, 1999 application if the Commission does not grant the requested relief. On March 1, 2000, the Community Action Council for Lexington-Fayette, Bourbon, and Nicholas Counties ("CAC") and the Lexington-Fayette Urban County Government ("LFUCG") filed a joint response to Columbia's petition for rehearing. CAC/LFUCG urge the Commission to grant Columbia's petition and to grant the relief sought therein.

Columbia requested that the Commission clarify that it intends to make Columbia whole with respect to stranded costs and incremental program costs, and that it did not mean to imply that Columbia might be prohibited from recovering all its costs. Columbia asked that the Commission expressly state that the part of the Order dealing with the true up of program costs is intended to make the program revenue neutral. As a matter of clarification, the Commission did not intend to prohibit Columbia from recovery of its program costs. All program costs will be reviewed, and all stranded costs that are determined to be prudently incurred and that could not be mitigated will be eligible for recovery.

Columbia states that the stranded cost/recovery pool is under-funded without the inclusion of expiring contract revenues. It also makes the point that using expiring contract revenue to offset stranded costs does not cause sales customers to pay any more under the Customer Choice proposal than they would absent the program. Columbia states that there is no compelling reason that sales customers choosing to remain with Columbia should receive any of the benefits generated by expiring contracts. The implication is that the Commission should reconsider Columbia's original proposal to dedicate expiring contract revenue and possibly capacity release revenue to offset stranded cost. However, no specific request for reconsideration or rehearing is made for this issue. As a matter of clarification, the Commission did not intend sales customers to receive any benefit except paying gas contract demand cost that is representative of the cost to secure their own gas supply. Contract demand costs associated with Customer Choice customers should be reflected in the stranded cost/recovery pool for recovery through approved revenue opportunities. Likewise, the Commission did not intend that sales customers be required to pay higher rates as a result of the Customer Choice program. The proposal to include expiring contracts in the determination of the Gas Cost Adjustment ("GCA") component of sales customers' rates results in increased costs per Mcf for those customers. The Commission finds no compelling reason for why sales customers should bear such an increase.

Columbia requests that the Commission reconsider its findings regarding the gas cost incentive program. In order for the Customer Choice program to be successful, Columbia states that it should include incentives for Columbia, as well as for customers and marketers, and that the off-system sales and capacity release revenue sharing mechanisms should be restored. The Commission finds that rehearing of the gas cost incentive issue should be granted and that continuation of the sharing mechanisms should be reconsidered.

Columbia asks that the Commission reconsider the effective dates of the Customer Choice program. It requests that the dates be adjusted so that the effective date initiating the program be established as 60 days following the issuance of a final Order. It further requests that the termination date be established as October 31, 2004 as originally proposed. In support of its requests, Columbia states that the 60-day delay in the effective date is necessary to perform customer education, and that the October 31, 2004 termination corresponds to the expiration of most of its long-term capacity contracts and avoids the complications of mid-winter termination. The Commission finds Columbia's arguments reasonable and compelling. The relief requested by Columbia should be granted. The effective date of the program should be 60 days following a final Order in this proceeding. The termination date should be October 31, 2004.

Columbia characterizes the timing of the required rate review and the hiring of an outside consultant as inefficient. It suggests that the rate review should be held after the end of the program following an ongoing program review by the collaborative, as opposed to engaging an outside consultant to perform a mid-course review. Columbia's petition makes reference to mid-course corrections resulting from the review. As a point of clarification, the Commission does not intend to make any mid-course changes in the program. The review was designed to begin "mid-course" so that it will terminate coincident with the end of the program. The Commission encourages the Collaborative to perform its own review and share the results with the Commission. It is still the Commission's intention, however, to retain an outside consultant to perform a review, the results of which will be considered following the termination of the program period.

Columbia requested that the Commission permit it to amend its tariff so that it may implement Phase II of capacity assignment due to escalating unfounded transition costs, as opposed to tying it to the level of unanticipated customer participation. This is a practical matter that would allow the tariff to comport with the Customer Choice program as modified by the Commission. The Commission finds that the requested relief should be granted and the tariff be so modified.

Columbia requested that the Commission not require it to revise its tariffs to reflect the representation of marketers as agents of Columbia. According to Columbia this is inaccurate, despite the designation, which appears to be to the contrary, in the Aggregation Agreement and in other portions of the Application. Columbia also asks that the Commission clarify whether it intends to regulate marketers and, if it does not, to unequivocally state that fact. The Commission finds that rehearing of the marketer as agent issue should be granted so that Columbia's claim that it does not intend marketers to be considered as its agents may be developed further. The intention of the Commission with regard to the regulation of marketers will be clarified as part of that reconsideration.

Columbia suggests that the Commission consider the effect of the program as modified on the incentive to marketer participation. Reference is made to the "artificial" reduction to the GCA rates due to the treatment of expiring contract revenues and capacity release revenues, making it difficult for marketers to compete. Columbia advocates the restructuring of the funding of the stranded cost/recovery pool so that Phase II of capacity assignment does not have to be implemented early due to under-funding of transition costs. The Commission finds that rehearing of this issue be granted as it relates to capacity release revenues within the context of the ability of marketers to compete. However, consistent with our earlier ruling, we will not grant rehearing on the issue of expiring contracts.

Finally, Columbia requests that the Commission permit it to withdraw its application of April 22, 1999 if the requested relief is not granted. Because the Customer Choice program was filed voluntarily, the Commission finds that it is within Columbia's discretion to go forward with the program as approved or to abandon it.

IT IS THEREFORE ORDERED that:

1. The Commission's Order of January 27, 2000 be clarified to state that Columbia will not be prohibited from recovering all prudent program costs that could not be mitigated, and that sales customers should pay only demand costs representative of their own supply requirements without any unreasonable benefit.

2. Columbia's request for rehearing of the gas cost incentive program and associated sharing mechanisms shall be granted.

3. The relief requested by Columbia in regard to the program's effective dates shall be granted. The Customer Choice program shall be approved effective 60

days following the final Order in this proceeding. The termination date shall be October 31, 2004.

4. The Commission's Order of January 27, 2000 shall be clarified to state that the consultant's review is intended to terminate coincident with the October 31, 2004 program termination date, and that no mid-course corrections are contemplated.

5. Columbia's requested relief regarding Phase II of capacity assignment shall be granted. Original Sheet No. 35, "Assignment of Capacity," shall be revised to reflect the language proposed by Columbia so that Phase II may be implemented due to stranded cost projections exceeding its revenue projections.

6. Columbia's request for rehearing of the marketer as agent issue shall be granted. Any clarification of the Commission's regulation of marketers will be made in the final determination of this matter.

7. The Commission shall reconsider the effect of the program as modified on the incentive to marketer participation as it relates to capacity release revenues. Rehearing is denied on this issue as it relates to expiring contract revenues.

8. Columbia shall be permitted to withdraw its April 22, 1999 Application if it chooses to do so.

9. Within 10 days from the date of this Order Columbia shall either file testimony on the issues on which rehearing has been granted or inform the Commission of its decision to withdraw its application of April 22, 1999. If applicable, a procedural schedule for the rehearing phase of this proceeding will be developed after receipt of Columbia's testimony.

Done at Frankfort, Kentucky, this 6th day of March, 2000.

By the Commission

ATTEST:

W^m H Bowker

Deputy Executive Director

ANTHONY G. MARTIN
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February 29, 2000

Mr. Martin Huelsmann
Executive Director
KY Public Service Commission
P.O. Box 615
211 Sower Blvd.
Frankfort, KY 40602-0615

RE: Case No. 99-165, Columbia Gas

Dear Mr. Huelsmann:

Enclosed please find the original and ten copies of the Joint Response to Petition for Rehearing of the Community Action Council of Lexington-Fayette, Bourbon, Harrison and Nicholas Counties and the Lexington-Fayette Urban County Government in the above styled case.

I have this day served a copy of the Response on all parties of record by first class mail.

Sincerely,

Anthony G. Martin
Counsel for CAC

cc: Parties of record

RECEIVED

MAR 01 2000

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) CASE NO. 99-165
MECHANISMS, AND TO CONTINUE ITS)
CUSTOMER ASSISTANCE PROGRAM)

RESPONSE OF COMMUNITY ACTION COUNCIL FOR LEXINGTON-FAYETTE, BOURBON, HARRISON AND NICHOLAS COUNTIES AND LFUCG TO THE PETITION FOR REHEARING OF COLUMBIA GAS OF KENTUCKY, INC.

CAC and Lexington Fayette Urban County Government are intervening parties in this case, and also are members of the collaborative group which worked with Columbia Gas in its design of its proposed Choice program tariff. Both CAC and LFUCG have supported the implementation of the Choice tariff as filed by Columbia, and continue to support the implementation of the Choice program in all of its components.

CAC and LFUCG appreciate the order of the Commission which approves the Choice program for a five year period, and also are aware of the Commission's belief that it has approved the program as filed with only minor changes. However, the Petition for Rehearing filed by Columbia presents a strong case that the changes are more significant than the Commission believed that they were, and the modifications could in fact be so significant as to cause Columbia to withdraw its request to implement the Choice program.

Given the issues raised by Columbia in its filing and the significance of this matter, CAC and LFUCG urge the Commission to review its original order and grant the relief requested by Columbia. For example, the Company has proposed that savings from expiring contracts be used to offset stranded costs. This is a very logical position, as the record in this case demonstrates that these contracts will become unnecessary only if the Choice program is implemented and successful. While CAC and LFUCG are interested in seeing utility rates be as low as reasonably possible, they do not believe that it is logical or beneficial to separate the benefits of the Choice program from the costs of the Choice program.

CAC and LFUCG understand that the Commission must still review and approve even an unopposed application, but they continue to believe that the Company's proposed tariffs adequately balance the needs of ratepayers and the Company, and provide a workable structure for a successful Choice program. CAC and LFUCG urge the Commission to grant the Petition for Rehearing filed by Columbia, and to allow the relief requested therein.

Respectfully submitted,

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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FEB 18 2000

PUBLIC SERVICE COMMISSION

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

PETITION FOR REHEARING
OF COLUMBIA GAS OF KENTUCKY, INC.

Pursuant to KRS § 278.400 and 807 KAR 5:001 § 4(10), Columbia Gas of Kentucky, Inc. ("Columbia" or "the Company") respectfully requests that the Public Service Commission of Kentucky ("Commission") reconsider, revise and clarify its Order of January 27, 2000 in this docket. In the alternative, should the Commission elect not to revise its Order as requested hereinafter, then Columbia respectfully requests that it be permitted to petition to withdraw its Application filed in this docket on April 22, 1999.

<u>BACKGROUND</u>

On July 1, 1998, the Commission issued its Order in Administrative Case No. 367. As part of that Order the Commission stated that it "supports the concept of customer choice programs targeted at residential and small commercial customers." *In Re 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*, Kentucky Public Service Commission Administrative Case No. 367, Order (July 1, 1998) at 2.

In response to the Commission's Order in Administrative Case No. 367, and prompted by the broad acceptance of customer choice[1] programs in other Columbia jurisdictions, Columbia met with interested stakeholders[2] and engaged in a collaborative process in an attempt to formulate a gas choice program that could be submitted to the Commission for approval. As a result of this collaborative process, Columbia and the members of its collaborative group were able to devise a small volume transportation program that the group felt could be implemented successfully in Kentucky. The proposed program evolved from serious discussions among knowledgeable parties having diverse interests and representing different constituencies, and involved much give and take by all involved in the process. The result was a proposed program that represented a delicate balance of all the stakeholders' interests.

The consensus proposal was embodied in the Application that Columbia filed in this docket on April 22, 1999. A hearing was held on October 12, 1999, and the Commission issued its Order on January 27, 2000.

In its Order the Commission purports to find the proposed program to be "generally acceptable" with "some modifications." *In Re 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*, Kentucky Public Service Commission Case No. 99-165, Order (January 27, 2000) at 8 ("Order"). The Commission further noted that it was "pleased with the outcome of the Collaborative process with a few *minor* ex-

[1] 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.

[2] The group included the Lexington-Fayette Urban County Government, the Community Action Council of Fayette, Bourbon, Harrison and Nicholas Counties, the Attorney General's Office and FSG Energy Services.

ceptions. Order at 16 (emphasis added). The Commission's revisions to the proposed small volume gas transportation program are anything but minor. Unfortunately, the revisions imposed by the Order to address the "modifications" and "minor exceptions" damage the delicate balance of interests embodied in the Application.

I. <u>THE SMALL VOLUME GAS TRANSPORTATION PROGRAM SHOULD BE REVENUE NEUTRAL</u>

In its Application, Columbia listed the goals that the collaborative group had agreed upon as being necessary for the implementation of a successful customer choice program in Kentucky. One of the stated goals is, "[t]he program should be revenue neutral for Columbia, and must allow Columbia to recover its stranded costs and incremental program costs." Application at 3. While the Commission endorsed Columbia's program goals (*see* Order at 9), the Commission's modifications nonetheless unbalanced the program's revenue neutrality.

A. <u>The Order Should be Clarified so that Columbia will be Allowed to Recover Fully its Stranded Costs and Incremental Program Costs</u>

The Commission's schedule of approved stranded costs and revenue opportunities shows that the modifications result in the Stranded Cost/Recovery Pool being under-funded by $3.1 million. Order at Appendix A. While the Commission did not identify a specific revenue source to fund this $3.1 million shortfall, the Commission stated it would address any excess of cost or revenue in its review of the program. Order at 14. Columbia reads the Order to state that the Commission intends to make the Company whole with respect to stranded costs and incremental program costs because the Commission endorsed Columbia's customer choice program goal of revenue neutrality. *See* Order at 9. Columbia believes that the Commission intended merely to postpone the "true up" issue, and not to imply that Columbia might be prohibited from recovering all its costs. Columbia, therefore, respectfully requests that the Commission clarify that part of the Order that deals with the true up of program costs so that the Commission's intent to make the program revenue neutral is expressly stated.

If the Commission did intend that Columbia may not be permitted to recover all of its stranded costs and incremental program costs, then implementation of the program clearly is not revenue neutral, and contradicts the Commission's endorsement of the program's goals. Columbia willingly came before the Commission in response to the Commission's Order in Administrative Case No. 367 and volunteered to implement a small volume transportation program within the parameters of the goals set forth in Columbia's Application. A lack of revenue neutrality is clearly inconsistent with these goals.

B. The Stranded Costs/Recovery Pool is Under-funded without Expiring Contracts Revenue, and Existing Sales Customers are not Harmed by Using Expiring Contracts Revenue to Offset Stranded Costs

Columbia had proposed to maintain its demand billing determinants, and the volumetric sales over which those determinants were spread, as of April 1, 1999, in its Expected Gas Cost through October 31, 2004. This would have captured revenue from expiring contracts and used that revenue to help fund the Stranded Cost/Recovery Pool. Application at 7. In its Order, the Commission prohibited this revenue from being used as an offset to stranded costs, and instead directed that the effects of expiring contracts should be reflected in the Gas Cost Adjustment mechanism. Order at 12. This modification alone eliminated nearly $7 million that was to have been used to offset stranded costs.

In eliminating expiring contracts as a funding source the Commission stated:

> Expiring contract revenues are generated by the decrease in demand charges associated with naturally expiring contracts. These contracts will

> no longer be needed because Columbia will no longer be required to arrange for the gas supply of Customer Choice customers.

Order at 12. The ***only*** reason that the capacity contracts in question can be terminated is because the customer choice program reduces the demand for firm supply that Columbia must provide. In the absence of the customer choice program, these contracts would be renewed because Columbia would continue to need them in order to serve its markets. Since the contracts can be allowed to expire ***solely*** due to the existence of the small volume gas transportation program, the revenues associated with the expiring contracts should be used to help fund the stranded costs that result from offering competitive commodity choices to small volume customers. Sales customers that choose to remain with Columbia do not cause revenue generated by expiring contracts and thus there is no compelling reason that they should receive any of the benefit.

If there is no customer choice program, and therefore no small volume customers transfer from sales to transportation service, then Columbia must retain its existing capacity contracts to serve the traditional needs of its sales customers. In that event, there would be no reduced costs due to expiring contracts to be passed on to sales customers. By freezing the determinants in Columbia's Expected Gas Cost, Columbia's proposal ensured that sales customers would pay the same amount for their gas as if there were no customer choice program. Thus, the key point is this: *using expiring contract revenue to offset stranded costs does not cause sales customers to pay any more under the customer choice proposal than they would absent the program.*

Not unlike expiring contract revenue, capacity release revenue in Columbia's financial model is projected to grow substantially because of the customer choice program. This growth is attributable to additional capacity that will be available for release due to sales customers converting to customer choice transportation. This capacity is not needed by Columbia to serve its remaining sales customers; however, Columbia cannot terminate the capacity due to contractual terms. In fact, 83% of the capacity release revenue in the five-year financial model exists as a result of capacity being stranded due to the small volume gas transportation program.

The intertwined relationship between traditional capacity release, capacity assignment and release of capacity stranded by the customer choice program resulted in Columbia's collaborative incorporating these like products into revenue opportunities to offset the total stranded costs. It thus makes sense to dedicate all of these revenue streams generated by the customer choice program to the offset of stranded costs. An added benefit of keeping these like revenues together is that there will be less confusion over the various definitions, and disagreements that could exist if the competing products fund different pools can be avoided.

II. IN ORDER TO BE SUCCESSFUL THE CUSTOMER CHOICE PROGRAM SHOULD INCLUDE INCENTIVES FOR CUSTOMERS, MARKETERS AND COLUMBIA; THEREFORE, COLUMBIA RESPECTFULLY REQUESTS AUTHORITY TO CONTINUE IT GAS COST INCENTIVE PROGRAM

As part of its Application in this case, Columbia sought to continue its existing gas cost incentive program, and to expand it as part of the small volume gas transportation program. Pursuant to Commission orders in Case No. 96-079, Columbia was permitted to retain 35% of its off-system sales revenue, and was afforded an opportunity to retain some of its capacity release revenue. The remainder of the off-system sales and capacity release revenue was flowed through the GCA mechanism for the benefit of sales customers, creating a true win-win situation for Columbia and its customers. This possibility of revenue retention by Columbia was authorized by the Commission in order to provide Columbia with an incentive to engage in non-traditional activities that also inured to the benefit of sales customers.

In addition to continuing off-system sales and capacity release efforts, Columbia's Application proposed an innovative approach that made the Company responsible for the effective management of its capacity contract costs so that all Columbia customers could have a choice of gas suppliers. Under the Application as filed, Columbia was provided incentive (through its off-system sales and capacity release efforts) to reduce its costs and generate non-traditional revenue. This reduced the potential need to devise an additional funding mechanism to recover any shortfall at the end of the program.

The Commission's Order penalized Columbia by excluding the incentives. Pursuant to the Order, all off-system sales revenue is to be credited to the Stranded Cost/Recovery Pool and all capacity release revenue is to be credited to the GCA mechanism. Order at 12-13. The effect of this is a loss of $7.85 million in estimated revenues that will instead be used to fund stranded costs and the GCA. This shift is not revenue neutral for Columbia.

Assuredly, Columbia hopes to minimize any shortfall in the Stranded Cost/Recovery Pool at the end of the program.[3] However, eliminating the incentive does not benefit customers. Without the incentives, Columbia does not have the additional motivation to devote additional resources to create off-system sales and capacity release transactions that could generate revenues in excess of those needed to fund stranded costs. Were there to be such a positive balance at the end of the program, the balance would be returned to all customers.

Experience in other Columbia jurisdictions demonstrates that in order for a customer choice program to be successful, there must be incentives to participate for customers, marketers

[3] *See* the Order at pages 23-24 where the Commission states that, "Columbia will consider stranded cost recovery to be sufficient incentive to continue to allocate the necessary effort and resources to off-system sales activities." Instead of rewarding Columbia for its efforts to maximize non-traditional revenues, the Commission apparently would penalize the company if it failed to maximize such revenues.

and utilities. The modifications imposed by the Commission in its Order eliminate such incentives for customers, Columbia and the marketers[4]. Instead of authorizing a win-win situation to continue, the Commission's actions will result in a lose-lose situation. Columbia urges the Commission to reconsider its findings and to restore said incentives.

III. <u>THE COMMISSION SHOULD ADJUST THE EFFECTIVE DATES OF THE PROGRAM</u>

Columbia's Application proposed that its small volume gas transportation program be effective November 1, 1999 through October 31, 2004. Application at 5. In its Order, the Commission revised the effective dates for the program to begin February 1, 2000 and end January 31, 2005. Order at 27. The Commission's modification of both the start date and termination date of the program are problematical, for the reasons discussed below.

A. <u>The Timing of the Commission's Order Made it Impossible for Columbia to Implement the Small Volume Gas Transportation Program Beginning February 1, 2000.</u>

The Commission's Order in this case was issued on January 27, 2000. In that Order the Commission directed that the small volume gas transportation program was to become effective four days later, on February 1, 2000. Four days is not sufficient time for Columbia to implement the program.

The first sixty days of the program are intended to be a period of customer education, and marketers are not to enroll customers during that sixty-day period. The Commission agreed with this concept. *See* Order at 15. Columbia will need at least an additional sixty days after the issu-

[4] As discussed hereinafter, the modifications to the financial model may result in an earlier implementation of the program's second phase – mandatory assignment of capacity – and marketers generally disfavor such mandatory capacity assignment.

ance of a final order in this case in order to prepare for final implementation of the Order. Columbia will use this time to make appropriate computer programming changes and to finalize the development of the customer education program. If the program is to be implemented, Columbia requests that the effective start date for the program be established as sixty days following the issuance of a final order in this case. Thereafter, the first sixty days immediately following the effective start date should be used solely for customer education.

B. The Program's Termination Date Should Remain As October 31, 2004.

Columbia initially proposed that the small volume gas transportation program run for a five-year period beginning November 1, 1999 and ending October 31, 2004. While the Commission delayed the effective start date of the program as discussed above, it retained the five-year program duration. However, there are reasons to terminate the program on October 31, 2004, rather than to maintain the program's duration at five years.

As explained in Columbia's Application, the majority of Columbia's long-term capacity contracts expire in October 2004. Before the expiration of those contracts Columbia will formulate its position regarding supplier of last resort and merchant function issues. After decisions are made regarding these broad issues, and upon expiration of the long-term capacity contracts, changes in the small volume gas transportation program may be required. Application at 5.

Once the long-term capacity contracts expire, there may or may not be a need for the small volume transportation program outlined in Columbia's Application, depending on decisions made in the Commonwealth about broader policy matters. Upon expiration of the long-term capacity contracts there may or may not be any stranded costs with which to deal. It may not be the best course of action at this time to extend the program, and its Stranded

Cost/Recovery Pool mechanism, beyond the point at which stranded costs may no longer be incurred.

Furthermore, terminating the program in mid-winter, as envisioned by the Order, will vastly complicate storage arrangements for Columbia and marketers. For this reason alone, a termination date of October 31, 2004, makes the program significantly easier to administer.

IV. THE TIMING OF THE COMMISSION-ORDERED RATE REVIEW IS INEFFICIENT, AS IS THE UTILIZATION OF AN OUTSIDE CONSULTANT

The Order states that at the end of three years the Commission will retain a consultant,

> to review all aspects of the Customer Choice program, to review the issue of a competitive marketplace, and to conduct a fully allocated cost-of-service study that will show what, if any, rates will need to be rebalanced in order to correctly represent costs to provide service.
>
> * * * * *
>
> [A]ny necessary modifications to the program itself and approved financial model will also be considered.

Order at 19.

The Commission's Order contemplates modifications to the program and financial model in mid-course. These mid-course corrections are to be the result of a review by an outside consultant. The hiring of a consultant in the middle of the program, and possibly implementing program changes over the objections of Columbia and its collaborative group, jeopardizes the success of the program. Likewise, a mid-course cost-of-service study will not truly reflect the costs incurred to provide service because the program changes, if any, will not have been fully implemented. By the time a cost-of-service study is prepared, and the process on page 19 of the Order completed, the customer choice program will be at, or near, its end.

The far better course would be to let Columbia and its collaborative group, rather than a consultant, engage in an ongoing review of the program, and propose changes to the Commission for its approval, as necessary. To the extent that the Commission or its Staff has concerns about the program, the Commission could inform the collaborative group of such concerns and ask the collaborative group to devise recommended solutions for Commission review. This process involving the interested stakeholders is likely to be far more effective than any process involving an outside party and the possibility of a litigious environment.

It would be more efficient for all parties if the rate review were held after the end of the program in October 2004. The Commission would have complete information about ***all*** the revenues and expenses attributable to the program in order to determine which rates, if any, would need to be rebalanced. A rate review after October 2004 would be an optimal proceeding in which to deal with such issues.

Furthermore, Columbia anticipates that there may be a need to deal with broader policy issues – e.g., merchant function and obligation to serve. While a fully allocated cost-of-service study would be a necessary component once these issues are reviewed, the study should occur coincident with the end of the program in October 2004.

V. <u>THE COMMISSION SHOULD PERMIT COLUMBIA TO AMEND ITS TARIFFS TO PERMIT MORE LIBERAL IMPLEMENTATION OF PHASE II OF THE SMALL VOLUME GAS TRANSPORTATION PROGRAM</u>

Columbia's proposed small volume gas transportation program consists of two phases. In the first phase, there is no mandatory assignment of Columbia's capacity to marketers. In the second phase, Columbia may require mandatory assignment of its transportation and storage capacity to marketers. Application at 8, and Attachment C thereto at Original Sheet No. 35. The

Order approves of the two-phase concept, noting that it has the potential to minimize unfunded stranded costs. Order at 10.

In its Application Columbia assumed that the Commission would approve the proposed financial model, and under that assumption the main driver of unfunded stranded costs is customer participation. The customer participation levels set forth in Columbia's application were sustainable with little likelihood of a surcharge at the end of the program because the revenue expectations fully approximated the stranded cost expectations. Columbia's proposed tariff therefore predicated the implementation of the program's second phase upon a showing that customer participation exceeded that assumed in the financial model. Application Attachment C, Original Sheet No. 35.

The Commission's modifications to the approved revenue opportunities have upset this delicate balance. In order to minimize unfunded stranded costs, Columbia must have broader discretion to implement the second phase of the program. Columbia respectfully requests that the Commission clarify that the implementation of the second phase is not directly dependent upon the estimated participation levels set forth in the Application's financial model. The level of revenue opportunities approved by the Commission obviously will not support the same customer participation levels.

In order to comply with the Commission's directive to be vigilant in determining when it is time to implement the second phase (Order at page 10), Columbia requests that the Commission authorize a revision to the proposed tariffs. On Original Sheet No. 35, in the section entitled "Assignment of Capacity," the second sentence should be revised to read:

> However, should program participation <u>rise to such a levels that Columbia's stranded cost projections exceed its Stranded Cost/Recovery Pool revenue projections over the term of the small</u>

volume gas transportation program, ~~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.

VI. MARKETERS ARE NOT COLUMBIA'S AGENTS

The Commission is under the mistaken impression that marketers participating in the small volume gas transportation program act as Columbia's agents. Order at 20-21, 25. This is inaccurate.

The Commission apparently came to its conclusion upon a review of the Aggregation Agreement attached to the Application. Upon review, Columbia admits that this matter is not as clear as it should be in the Aggregation Agreement and other portions of the Application. However, the fact is that the marketers are agents of the customers participating in the small volume gas transportation program. The customers authorize the marketers to act as their agents to obtain transportation service from Columbia. Therefore, it is inappropriate and inaccurate to refer to marketers as Columbia's agents, because the marketers do not represent Columbia, and Columbia respectfully requests that it not be ordered to revise its tariffs to reflect this inaccurate representation.

VII. MARKETERS MAY LACK INCENTIVE TO PARTICIPATE IN THE PROGRAM AS MODIFIED BY THE COMMISSION

A customer choice program will be successful only if there are incentives for marketers to participate. Unfortunately, the Commission's modifications to the small volume gas transportation program provide several strong disincentives for robust marketer participation.

First, the mere threat of possible Commission regulation of marketers will be enough to prevent some marketers from participating in the program. If the Commission does not intend to regulate marketers, it should unequivocally state that fact, and delete the language to the contrary on page 21 of the Order.

Second, as discussed previously herein, requiring expired contract revenues to be passed through the GCA improperly subsidizes GCA customers. Most marketers base their rates to compete with, and beat, the utility's gas cost rates. However, marketer margins tend to be thin. The artificial reduction in GCA rates resulting from the Commission's Order in this case will make it more difficult for marketers to compete. If the marketers perceive that the rates they would have to charge to compete with the artificially reduced GCA are too low to generate sufficient margins, then the marketers will not participate in Columbia's small volume gas transportation program.

The Commission's decision to credit all capacity release revenues to the GCA has the same effect. The capacity release revenues should instead be treated as part of Columbia's gas costs incentive program, with any revenues not retained by Columbia being used to help fund the Stranded Cost/Recovery Pool.

Third, the marketers will realize that the Commission's modifications to the financial model may result in Columbia's earlier implementation of the program's second phase – mandatory capacity assignment. Implementation of mandatory capacity assignment limits marketers' options, and could hinder the development of a robust, open, competitive market. Therefore, the Commission should restructure the funding of the Stranded Cost/Recovery Pool, as discussed heretofore, to allow greater customer participation in the customer choice program without mandatory capacity assignment.

VIII. IF THE COMMISSION DOES NOT GRANT THIS PETITION FOR REHEARING, THEN COLUMBIA REQUESTS THAT IT BE PERMITTED TO PETITION TO WITHDRAW ITS APPLICATION

Columbia respectfully requests that the Commission amend its Order to address the matters raised herein. Since Columbia voluntarily filed the Application, Columbia respectfully requests that it be permitted to petition to withdraw its Application in the event that the Commission decides not to grant the relief requested herein.

WHEREFORE, Columbia asks that the Public Service Commission of the Commonwealth of Kentucky make its order granting rehearing for the reasons described herein. In the alternative, Columbia respectfully requests that it be permitted to petition to withdraw its Application filed in this docket. Columbia also respectfully requests that the filing deadlines for tariffs and reports in the January 27, 2000 Order be stayed pending the Commission's action on this Petition for Rehearing.

Dated at Columbus, Ohio, this 18th day of February 2000.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Petition for Rehearing was served upon all parties of record by regular U.S. Mail this 18th day of February 2000.

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February 3, 2000

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RECEIVED

FEB 04 2000

PUBLIC SERVICE
COMMISSION

Re: **Case No. 99-165**

Dear Mr. Huelsmann,

On January 27, 2000 the Commission issued its Order in the above docket. As part of its Order the Commission approved, with modifications, Columbia Gas of Kentucky's ("Columbia") proposed small volume gas transportation service program, to be effective February 1, 2000 through January 31, 2005. On page 28 of its Order, the Commission directed Columbia to inform the Commission of the progress of Columbia's customer education program development, with an initial report due February 4, 2000.

The Commission's Order made significant modifications to Columbia's proposed program, and Columbia is still analyzing the impact of the Commission's Order, as well as evaluating possible responses to the Order. One of the issues being analyzed is the modification of the program duration. Due to the program revisions outlined in the Order, Columbia has not been able to implement the program effective February 1, 2000. Therefore, Columbia is not yet able to provide a report on the development of the customer education program, as envisioned on page 28 of the Order.

As soon as Columbia has completed its evaluation of the Commission's Order, Columbia will communicate to the Commission its plans regarding development of a customer education program.

Very truly yours,

Stephen B. Seiple

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Senior Attorney

COMMONWEALTH OF KENTUCKY
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CERTIFICATE OF SERVICE

RE: Case No. 1999-165
COLUMBIA GAS OF KENTUCKY, INC.

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on January 27, 2000.

See attached parties of record.

Stephanie J. Bell

Secretary of the Commission

SB/sa
Enclosure

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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

On April 22, 1999, Columbia Gas of Kentucky, Inc. ("Columbia") filed an application for Commission approval to implement a small volume gas transportation service program ("Customer Choice"). Columbia also requested approval to continue its existing Gas Cost Incentive Program ("GCIP"),[1] and to continue its low-income Customer Assistance Program ("CAP").[2] The proposed Customer Choice program is designed to be effective for five years, from November 1, 1999 through October 31, 2004. The program is to be available to all Columbia customers with annual usage of less than 25,000 Mcf. It was the result of a collaborative process that included the Lexington-Fayette Urban County Government ("LFUCG"); the Community Action

[1] Case No. 96-079, The Tariff Filing of Columbia Gas of Kentucky, Inc. to Implement Gas Cost Incentive Rate Mechanisms, Orders dated July 31, 1996 and July 27, 1998.

[2] Case No. 94-179, Notice of Adjustment of Rates of Columbia Gas of Kentucky, Inc. on and after July 1, 1994, Orders dated November 1, 1994 and October 9, 1998.

Council of Fayette, Bourbon, Harrison and Nicholas Counties ("CAC"); and the Attorney General's Office ("AG").[3] Columbia also solicited and received input from FSG Energy Services, a marketing subsidiary of Wisconsin Public Service Resource Corporation.

Intervenors in this proceeding were LG&E Energy Corporation, LFUCG, CAC, United Gas Management, and Stand Energy Corporation ("Stand Energy"). After an informal conference on June 3, 1999, and three Commission Orders requesting additional information to which Columbia provided responses, a public hearing was held at the Commission offices on October 12, 1999. On November 12, 1999, briefs were filed by Columbia and CAC.

BACKGROUND

In September 1997, the Commission initiated Administrative Case No. 367[4] to explore issues related to the unbundling by Local Distribution Companies ("LDCs") of their existing bundled rates for natural gas service and the introduction of competition to the residential gas market. Columbia and the other major LDCs operating in Kentucky were participants in this proceeding as were marketers, public interest groups, and the AG. While the utilities and marketers were generally in favor of unbundling retail rates for natural gas service, low-income and residential customer groups expressed concerns about diminished reliability, as well as the significance of any real economic benefits that might be available in an unbundled, competitive market.

[3] Columbia's application indicated that LFUCG and CAC supported the proposed program while the AG took no official position on the proposal.

[4] 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.

The Commission found that any customer choice program proposed in Kentucky must address several issues in order to adequately protect the public interest. Those issues included: the obligation to serve; supplier of last resort; non-discriminatory access to offered services; codes of conduct for marketers and affiliates of regulated utilities; the prices (rates) for services; and billing of unbundled rates. The Commission also found that a definition of what constitutes a competitive marketplace would be of utmost importance because of the need to determine, on an ongoing basis, that a sufficient number of alternative and unaffiliated suppliers existed.

The Commission indicated that any utility proposing a customer choice or rate unbundling program would have to demonstrate that there had been sufficient input from its stakeholders. The Commission also emphasized the importance of consumer education as part of any such proposal and indicated that participating marketers, as well as utilities, would be expected to participate in the education process. Utilities were also informed that any proposed program should address certification of suppliers, transition costs, stranded costs, uncollectibles and disconnections, balancing requirements to maintain system integrity, and access to pipeline and capacity storage.

COLUMBIA'S CUSTOMER CHOICE PROGRAM

According to Columbia, the Customer Choice program is designed to address the issues set forth in the Commission's Order in Administrative Case No. 367.[5] It is a five-year program, designed to be effective November 1, 1999 through October 31, 2004. The major components of the program are as follows:

[5] Prepared Direct Testimony of Stephen L. Byars at 5.

- The program is to be available throughout Columbia's service area to all customers with annual usage lower than 25,000 Mcf.

- The proposed small volume transportation rates are Columbia's existing approved base, or distribution, rates, exclusive of its gas cost.

- Columbia is not proposing to exit the merchant function at this time.

- Columbia will serve as the supplier of last resort.

- Capacity assignment to gas marketers participating in the program is voluntary up to a certain level of customer participation (Phase I). At that point, which will be determined by Columbia, it may be mandatory (Phase II).

- Upon approval of the proposed tariffs, Columbia proposes a 60-day moratorium on marketer solicitation so that Columbia and the Commission, as well as the AG, LFUCG, and CAC, if they so desire, can conduct customer education efforts.

- Columbia proposes to certify marketers based on specific credit-worthiness standards set out in its proposed tariffs.

- Columbia proposes to establish a code of conduct for marketers, as well as standards of conduct for itself to address issues involving transactions with affiliates.

- Columbia proposes to continue to bill all customers, charging marketers 20 cents per account for the billing of the marketers' Customer Choice customers. Columbia will assume the risk of collecting payment for gas commodity costs from Customer Choice customers and proposes to retain 2.5 percent of the marketers' revenues as compensation for assuming this risk.

- Columbia proposes to implement a 35 cent per Mcf balancing charge for marketers that do not voluntarily take assignment of capacity.

- Columbia proposes to charge marketers 5 cents per Customer Choice Mcf volumes as a contribution toward stranded costs.

- Marketers must be able to provide firm service. Columbia may require a demonstration of a marketer's ability to reliably serve Customer Choice customers' gas requirements.

- Customers may enroll in the program by telephone, in writing, or by the Internet.

- Columbia will provide demand curves to marketers to better enable them to serve small customer groups.

- A marketer must enroll at least 100 customers or a customer group with minimum annual throughput of 10,000 Mcf in order to participate in the program.

- Columbia proposes to recover stranded costs through revenue opportunities identified as part of its application. Stranded costs are identified by Columbia as Gas Cost Recovery ("GCR") demand costs, information technology costs, consumer education costs, and lost standby revenues. Revenue opportunities are defined as marketer contributions, capacity assignment revenues, balancing charges, expiring contracts, sales customers' 65 percent share of off-system sales revenues, and sales customers' 65 percent share of capacity release revenues.

- If stranded costs exceed revenue opportunities over the five-year period of the program, Columbia proposes to absorb the first $3.0 million of the shortfall. The remaining shortfall would be collected using a method to be determined in the future. If revenue opportunities exceed stranded costs, Columbia proposes to retain the first $3.0 million in excess revenues and refund the remainder to customers.

- Columbia proposes to continue its current GCIP with no alterations other than to the capacity release benchmark and to use the customer portion of capacity release and off-system sales revenues as revenue opportunities to recover stranded costs.

- Columbia proposes to continue its CAP, with the CAC acting as aggregator and agent for customers that are CAP participants. These are the only customers for whom the Customer Choice program would be mandatory.

GOALS OF THE CUSTOMER CHOICE PROGRAM

Columbia identified six specific goals for the proposed Customer Choice program, which 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 possible to provide customers savings by allowing marketers to serve customers using their own interstate pipeline capacity.

3. The program should be revenue neutral for Columbia and 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 the Customer Choice program.

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.

CASE PROCEDURE

The Commission, by Order dated May 18, 1999, scheduled an informal conference in this proceeding on June 3, 1999 for the purpose of discussing issues regarding Columbia's application. The principal reasons for the conference, as set forth in the Order, were to discuss the application's lack of a definition of a competitive marketplace and the question of cost justification for the proposed transportation service rates, as well as the other rates proposed by Columbia. The day of the informal conference, Columbia submitted a written response to the questions raised in the Commission's May 18, 1999 Order. Columbia provided a supplemental written response on June 18, 1999, which focused primarily on the cost justification issue.

In its written responses, in information responses, and at the hearing, Columbia maintained that the definition of a competitive marketplace was not an issue in this proceeding. Because it is not proposing to exit the merchant function at this time, and because sales customers can remain with Columbia or return from a marketer without restriction imposed by Columbia, it believes such a definition to be premature. In its prefiled testimony, Columbia stated that, "As long as Columbia remains in the merchant function with a regulated commodity rate the definition of workable competition is irrelevant."[6]

[6] Prepared Direct Testimony of Kimra H. Cole at 8.

Columbia also stated that no cost justification was required for the use of its existing base rates as the small volume transportation rates. Since the Commission had approved those rates for sales service in Case No. 94-179, Columbia claimed that those rates, found to be fair, just, and reasonable by the Commission five years ago, were still fair, just, and reasonable.[7] In its supplemental response of June 18, 1999, Columbia set forth its position on the issue of cost support for its small volume transportation program rates, stating, "Columbia can find no basis on which to justify differing rates for delivery of gas under this program." Columbia concluded its response with, "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." Although its existing base rates were the product of a unanimous settlement agreement in Case No. 94-179, Columbia indicated that it believed the rates to be cost-justified because they had been found to be fair, just, and reasonable by the Commission in its acceptance of that settlement agreement.[8]

REASONABLENESS OF THE CUSTOMER CHOICE PROGRAM

Columbia's proposed Customer Choice Program, as set out in Attachment B of its application, is generally acceptable to the Commission as a pilot program. Some modifications to the proposed program having to do with transition cost recovery will be required, however. The Commission is of the opinion that lost standby revenues should not be included with GCR demand costs, information technology, and education as a

[7] Response to the Commission's July 2, 1999 Order, Item 11.

[8] Transcript of Evidence ("T.E.") at 51.

stranded cost. The Commission is further of the opinion that revenue opportunities should be comprised solely of capacity assignment revenues, balancing charges, marketer contributions, and off-system sales revenues. Revenues from expiring contracts and capacity release revenues should not be used to offset Customer Choice program stranded costs. Nor should the proposed $3.0 million deadband be used for excess revenues or costs. These issues are discussed in more detail later in the Order.

The program appears to ensure, to the greatest extent possible, that supply reliability to Customer Choice customers will not be threatened. Columbia will be the supplier of last resort, its own discontinuance of service rules will apply, and Columbia will perform the billing function for marketers. Therefore, customers should not be at risk of losing their gas supply due to marketer error or business failure. The program will have widespread availability, being offered to all small volume customers in Columbia's service area. Customers will have several enrollment options, which will facilitate the participation of those interested in doing so. The Commission is satisfied that these features of Columbia's proposed program will enable it and the Commission to draw conclusions as to the success of the program and the demand for small volume transportation programs. Such widespread availability will require a significant consumer education effort, for which Columbia and the Collaborative have made provision in the program.

The Commission is in support of the majority of the components of the Customer Choice program as proposed by Columbia, and endorses Columbia's stated goals for the program. In reference to the first of these goals, the testimony of Stand Energy indicated that savings were being achieved in jurisdictions where other Columbia distribution companies have implemented similar programs.[9] Such testimony corroborates responses of Columbia to information requests which indicated the same. Despite some reservations regarding the issue of capacity assignment, the Commission can accept Columbia's more flexible approach of allowing marketers to take the capacity if they so choose, and charging a balancing charge if they don't. However, Columbia should be vigilant in determining when it is time to implement Phase II of the program. Phase II marks the point at which capacity assignment will be mandatory, and will mitigate the stranding of GCR demand costs. Such mitigation will lessen the need for continued revenue opportunities or some other method of cost recovery. Increased levels of capacity assignment to marketers will result in greater revenue opportunities to offset stranded costs. Columbia should notify the Commission prior to the time it decides to implement Phase II of capacity assignment.

Columbia's goal of sales customers not incurring any additional charges because of the Customer Choice program, while attractive in theory, is practically impossible to attain without impacting Columbia's revenues or charging exorbitant rates to marketers or Customer Choice customers. If this were not the case, Columbia would not have identified expiring contracts, off-system sales, and capacity release as revenue opportunities to offset stranded costs. Even if Columbia's proposed revenue opportunities do not result in "new charges" to sales customers, under Columbia's proposal, those customers would have to pay incrementally higher gas costs as a result of the program compared to what they would have paid absent the program. If the

[9] T.E. at 145-146.

Customer Choice program is ultimately beneficial, then recovery of costs associated with it (another of Columbia's goals) is legitimate.

It is because sales customers will have to bear a portion of the cost of the Customer Choice program that the Commission finds it necessary to require changes to Columbia's proposed transition cost recovery methodology as detailed in the Financial Model in Attachment A of the application. The Commission's revised transition cost recovery methodology will provide Columbia with an opportunity to recover approved stranded costs, although not to the extent proposed by Columbia. The total amount of stranded costs and revenue opportunities as modified and approved by the Commission are set out in summary form for the five-year period in Appendix A of this Order. A summary of the proposed and approved five-year amounts for stranded costs and revenue opportunities are set out in comparative form in Appendix A of this Order.

PROGRAM MODIFICATIONS

As stated earlier, the Commission finds that certain modifications related to transition cost recovery are necessary. These modifications are discussed in detail in the following paragraphs.

Stranded Costs and Revenue Opportunities

The Commission does not agree that all the stranded costs identified by Columbia should be included for recovery through the approved revenue opportunities. Lost standby revenues represent demand charges currently collected from commercial customers that directly offset sales customers' gas cost through Columbia's GCR mechanism. To the extent that these revenues decrease, the gas cost will be collected in its entirety from sales customers. The evidence supporting the need for this particular cost to be offset by revenue opportunities is not persuasive. Lost standby revenues represent only $411,000, or 1.3 percent, of Columbia's total estimated stranded cost of $31,994,000 for the five years. This decrease in lost standby revenues could conceivably occur due to other changes in customers' circumstances, and is appropriate to be reflected through the GCR process.

The Commission believes the 5 cent marketer contribution toward stranded cost to be reasonable. However, a portion of revenues derived from marketer contributions should be designated to cover half of stranded costs attributable to education expenses. This is necessary to ensure that marketers participate equally in the customer education process initiated by Columbia.

The Commission also is not persuaded that expiring contracts and customers' share of capacity release and off-system sales revenues are appropriate methods to recover stranded costs as proposed by Columbia. Neither expiring contract revenues nor capacity release revenues should be used as revenue opportunities. Expiring contract revenues are generated by the decrease in demand charges associated with naturally expiring contracts. These contracts will no longer be needed because Columbia will no longer be required to arrange for the gas supply of Customer Choice customers. Capacity release revenues are attributable to the release of unneeded pipeline capacity to the secondary market during non-peak conditions. Because they reflect the cost of capacity necessary to serve only remaining sales customers, these are clearly savings in gas cost which should inure to the benefit of sales customers. Revenue opportunities represented by capacity assignment, balancing charges, and marketer contributions are understandable because they match costs to cost causers.

It is neither understandable nor reasonable for the sales customers' GCR mechanism to be adjusted as proposed to pay for stranded costs when that mechanism is reserved for actual levels of gas cost incurred on behalf of those customers. If a surcharge is eventually proposed and approved, and sales customers ultimately pay for transition cost recovery deficiency through a surcharge, they will have been provided the opportunity to know what they are paying for and the magnitude of the costs.

The Commission finds that total net proceeds from off-system sales, with the exception of operational sales, and not just the customers' gas cost incentive sharing portion of 65 percent as proposed by Columbia, should be used to offset stranded costs.[10] Historically, Columbia had not made off-system sales before its GCIP was approved. While offsetting sales customers' gas cost with the net proceeds from off-system sales revenues has certainly been beneficial to those customers, the Commission finds that using this non-traditional revenue source to partially fund Customer Choice program costs to be an even better use of these funds.

The evidence of record indicates that Columbia's earnings should not be adversely impacted so as to decline to an unreasonable level due to these decisions concerning stranded costs and revenue opportunities. In order to show the impacts of these decisions, the allowed stranded costs and revenue opportunities for the same time periods included in Columbia's financial model are shown in Appendix B to this Order.

[10] The entirety of projected off-system sales are set out as the first note indicated by an asterisk at the bottom of the first page of Attachment A of Columbia's application.

Proposed Deadband

The Commission finds that the $3.0 million band on either side of actual stranded costs is not an acceptable method of addressing excess costs or revenues. Columbia's concern over implementing a surcharge should be sufficient incentive for it to minimize stranded costs. The evidence of record shows Columbia's earnings to be at a sufficiently high level that it would not be in the public interest to offer it the possibility of increased earnings via the proposed program. One of Columbia's stated goals in this proceeding is that the program be revenue neutral for Columbia, and allow it to recover 100 percent of its stranded costs and incremental program expenses. To allow the proposed $3.0 million deadband is counter-intuitive to the revenue neutrality objective. Unless cost recovery exactly matches stranded cost, which, for all practical purposes is impossible, the deadband would ensure that Columbia's revenues and earnings would be impacted by the implementation of the program. Any excess of cost or revenue will be addressed in the Commission's review of the pilot program. If the program continues, the revenue opportunity method approved by the Commission will either be continued or modified at that time, and a true-up mechanism may be instituted.

OTHER ISSUES

Customer Education

Columbia's goal regarding customer education is of paramount concern to the Commission. Although there is relatively little discussion in the record of this proceeding devoted to customer education, its importance to the ultimate success of the Customer Choice program cannot be understated. The Commission is satisfied that

Columbia is aware of the necessity of designing and implementing the best customer education program possible, and requests that Columbia share with it the details of that education program as they are developed. The 60-day moratorium proposed by Columbia is appropriate and will be useful for preparing customers for the opportunities inherent in choosing their own gas suppliers.

Definition of a Competitive Market and Cost Justification Issues

As previously stated, an informal conference was held at the Commission's offices on June 3, 1999 for the purpose of discussing the application's lack of a definition of a competitive marketplace and the question of cost justification for the proposed transportation service rates, as well as the other rates proposed by Columbia. Columbia's position on these issues has been discussed in the Case Procedure section earlier in this Order. Since the Commission has determined that the Customer Choice program will be a pilot program, for purposes of this Order the Commission can defer these issues while the program is in its initial stages.

The definition of a competitive marketplace does remain of concern, however, and the development of the small volume transportation market and the relative level of participation in it are not subjects that the Commission is willing to defer indefinitely. The Commission will consider the definition of a competitive marketplace essential to any proposed continuation of Columbia's Customer Choice program.

In support of the use of existing base, or distribution, rates as the proper rates for small volume transportation program service, Columbia has relied on the fact that other Columbia companies used their base rates in other jurisdictions and did not have to cost justify them for such use. Columbia also points out that the entire program is the result of a collaborative process of the sort that was envisioned in the Commission's Order in Administrative Case No. 367 and that the Collaborative believes this approach to be reasonable.[11] The Commission commends Columbia and its Collaborative for their efforts that have produced a program that appears to address most of the concerns of the Commission raised in that Order. However, the use of a collaborative process, while ideal for developing program details that will be acceptable to the majority of affected market participants, does not mean that the statutory requirements for finding rates to be fair, just, and reasonable have been met.

Columbia has said when discussing other aspects of its proposal that it could not simply copy other programs but had to keep in mind its own customers and service area in formulating its program design. Likewise, the Commission cannot be content that, for whatever reason, other regulatory bodies accepted existing rates for the provision of a new service in their jurisdictions. The circumstances of different cases within this state are not identical, much less identical to those in other states. It was not the Commission's intent for its stated preference for a collaborative process to be interpreted as a blanket authorization for a proposed program created by a collaborative.

The Commission has concluded that the proposed program does have merit, and is pleased with the outcome of the collaborative process with a few minor exceptions. The progress of the program will need to be monitored, and Columbia itself has made provision for such monitoring in its proposal with its stated intention of filing an annual report; therefore, the Commission has few remaining reservations concerning the

[11] Prepared Direct Testimony of Steven R. Byars at 3.

security of supply to customers and the process that will be used to enlist and provide service to customers. However, to approve the program largely as proposed with the information available in the record, the Commission will have to accept for the pilot period Columbia's assertion that existing rates are representative of costs involved in supplying small volume transportation service. Existing rates may well be representative of costs during most of the initial five-year period, and incremental costs will in all likelihood be minimal. However, the Commission continues to be convinced that at some point cost shifts will cease to "net out." At that point, existing rates will not adequately represent either sales or Customer Choice service. The Commission believes that insufficient information exists to justify the use of existing base rates for the Customer Choice program indefinitely. However, since this is a pilot program, the Commission believes that the issue of cost justification for the use of its existing base rates as the small volume transportation rates and for the other proposed rates set out in Columbia's tariff can be deferred at this time.

<u>Customer Choice Program – Three-Year Review</u>

At the informal conference of June 3, 1999, it was conveyed to Columbia that the rates for Customer Choice program service should be transparent to customers.[12] By this, the Commission and Staff meant that rates should be representative of the costs to provide the service and that customers should understand what they are receiving in return for the rates they are charged. Columbia responded on two separate occasions that not everyone is well-versed in gas issues and terminology and rate-making

[12] One of Columbia's stated goals for the program is for the recovery of stranded costs to be as transparent as possible to customers.

methodologies. Apparently, this led Columbia to insist that using a surcharge methodology was inferior to its proposed revenue opportunity methodology to recover transition costs. Customers would be confused by a surcharge, according to Columbia. Therefore, the Collaborative concluded that the revenue opportunity method was better because it used the GCR mechanism to flow through the majority of stranded costs and offset them with certain gas cost revenues. This, according to Columbia, is a transparent methodology.

While it is true that most utility customers are not familiar with all the details of the provision of their utility service, the Commission believes it is crucial to design mechanisms that utility customers can identify and question if they so choose. This may very well be unattractive to customers, as Columbia alluded to in one of its responses. The filing of this program was driven by Columbia's desire to offer such a program to its customers; therefore, the lack of customer demand may cause customers to react negatively to a surcharge, if one is eventually proposed and approved. However, after the conclusion of the consumer education program conducted by Columbia, the Commission does not expect Columbia's ratepayers to be so uninformed that they would expect the Customer Choice program to be free of charge. If the Customer Choice program is beneficial to customers, keeping in mind the costs involved, then the recovery of costs associated with it is legitimate and need not be hidden.

In order for rates to be as transparent as possible at the earliest possible time, the Commission finds that a review of costs and rates should be initiated before the end of the proposed five-year program period. A period of three years is a suitable amount of time for the program to progress beyond its initial stages, for customer participation to move at least past the introductory level, and for Columbia to gather preliminary information concerning costs involved in providing small volume transportation service relative to sales service. Because such information will be available at that time, the Commission will then begin the process of retaining an outside consultant, as authorized by KRS 278.255, to review all aspects of the Customer Choice program, to review the issue of a competitive marketplace, and to conduct a fully allocated cost-of-service study that will show what, if any, rates will need to be rebalanced in order to correctly represent costs to provide service.

In addition to the cost review process that will begin at the end of the three-year period and conclude prior to the end of the five-year pilot period, any necessary modifications to the program itself and approved financial model will also be considered. The cost recovery that has occurred through the acceptable revenue opportunities of capacity assignment, balancing charges, off-system sales, and marketer contributions will be reviewed, and a recommendation made as to whether this method of stranded cost recovery should be continued or modified. Once the consultant's review and report have been completed, the Commission will initiate a proceeding wherein Columbia and other parties may address the results of the consultant's report and other issues relating to the Customer Choice program as identified by the Commission at that time.

The Commission believes that the modifications contained in this Order more appropriately allow Columbia to meet its goals. As previously stated, the elimination of the $3.0 million deadband will ensure revenue neutrality, and modification of the revenue opportunities in combination with the cost review will ensure eventual transparency to customers as they compare Columbia's rates to those of marketers.

Marketer Issues

Marketers desiring to provide commodity services to consumers under the proposed small volume transportation tariff are required to meet certain eligibility requirements including credit worthiness standards and certain program threshold measures as set forth in the application at Section B, "Program Description." In addition to those requirements, marketers are required to sign an aggregation agreement that establishes the marketers as agents of Columbia.

In Administrative Case No. 297[13] the Commission found it unnecessary to regulate brokers and dealers of natural gas. While the Commission found that such entities are engaged in arranging supplies of gas, it concluded that the market realities were such as to make these activities self-regulating. Columbia's Customer Choice program, however, differs in material respects from the situation addressed in Administrative Case No. 297, particularly in that the proposed program is aimed toward residential consumers. Therefore, it is imperative that the Commission retain regulatory oversight over this program, and the necessity for such oversight is implicitly recognized in the proposed tariff filed by Columbia.

Columbia's Customer Choice program requires that a natural gas supplier execute an Aggregation Agreement in order to enter the program, and also defines and limits the seller's authority to supply the commodity. In addition, Columbia retains the authority to suspend or terminate a supplier's participation in the Customer Choice program. To the extent that Columbia retains ultimate responsibility for the provision of

[13] Administrative Case No. 297, An Investigation of the Impact of Federal Policy on Natural Gas to Kentucky Consumer and Suppliers, Order dated May 29, 1987 at 21.

gas to customers pursuant to this program and retains control over the provision of gas by its agents, these agents lack the autonomy traditionally associated with a "utility" as defined in KRS 278.010. Further, Columbia's tariff requires its agents to file the information that would otherwise be required by the Commission pursuant to KRS 278.020. Accordingly, the question of whether agents of Columbia who market gas to residential consumers are "utilities" subject to full regulation by this Commission does not require a final decision herein. Pursuant to Columbia's tariff, both Columbia and its agents will remain answerable to the Commission as well as to the customers who receive service pursuant to the Customer Choice program. Under such an arrangement the Commission finds that its statutory directive to regulate utilities is fulfilled by its regulation of Columbia.

The Commission also takes notice of the Standard of Conduct and the Code of Conduct filed in the application at Section C, "Proposed Tariffs." The Commission is currently conducting its own investigation into the establishment of a Code of Conduct governing affiliated entities.[14] To the extent the Commission issues rules related to either affiliated entities or independent marketers, those rules once established will supersede the rules accepted in this pilot.

Columbia has proposed to file an Annual Report each year which will contain statistics detailing customer enrollment, participation, and related volumes; marketer participation; education activities; and stranded costs and revenue opportunities. For each participating marketer acting as agent for Columbia under the program, Columbia

[14] Administrative Case No. 369, An Investigation of the Need for Affiliate Transaction Rules and Cost Allocation Requirements for All Jurisdictional Utilities.

should also file with the Commission the marketer's name, address, telephone number, contact person, gas cost rates being charged to Customer Choice customers, and pricing and payment terms. This information should be filed not only with the Annual Report, but as often as necessary so that it is current and available for the Commission and for customers that call the Commission with questions regarding the program. Columbia had proposed to file its Annual Report by March 1 of each year. However, since the Commission's deliberations in this proceeding have pushed the program's starting date beyond that proposed by Columbia, the date for filing the Annual Report should be adjusted accordingly. Therefore, the due date for Columbia's Annual Report will be June 1 of each year, beginning June 1, 2001.

Continuation of the GCIP

Columbia has proposed to continue its GCIP which was approved by the Commission in Case No. 96-079. Columbia intends for the application in this proceeding to be considered by the Commission as a more comprehensive GCIP. The filing of a more comprehensive program was a prerequisite for further continuation of the program set out in the July 27, 1998 Order in Case No. 96-079.

Columbia's existing mechanism allows it to keep 35 percent of capacity release revenues after a certain historical benchmark has been achieved, as well as 35 percent of revenues resulting from off-system sales. Columbia has not achieved the established benchmark and, therefore, has not been able to share in capacity release revenues since the inception of the program. As of October 31, 1999, its sharing portion of completed off-system sales transactions was approximately $4.8 million.

By its application in the current case, Columbia proposes to continue its existing GCIP through October 31, 2004, coincident with the end of the proposed Customer Choice program. Other than a modification to the capacity release benchmark, Columbia proposes no changes to the GCIP itself. No expansion of its program to include gas cost commodity or transportation charges is contemplated. The most significant aspect of Columbia's proposal concerning the GCIP is that customers would lose their portions of capacity release revenues and off-system sales as offsets to their gas cost.

The disposition of capacity release revenues (100 percent to be used as an offset to gas cost) and off-system sales revenues (100 percent to be used as a revenue opportunity) has been addressed in the PROGRAM MODIFICATIONS section of this Order. The Commission finds it more appropriate that customers continue to experience an offset to their gas cost due to capacity release revenues rather than have these revenues used to offset Customer Choice stranded cost. The Commission further finds that the total amount of off-system sales is appropriate to use as a revenue opportunity to offset stranded cost rather than allowing Columbia to retain its portion while customers are required to forego theirs. In the absence of a more comprehensive GCIP involving additional elements of Columbia's gas cost components as contemplated by the July 27, 1998 Order, the continuation of the GCIP should be denied.

In its post-hearing brief, Columbia states that without the 35 percent sharing mechanism it could not justify the allocation of effort and resources necessary to complete off-system sales transactions. The Commission anticipates that Columbia will consider stranded cost recovery to be sufficient incentive to continue to allocate the necessary effort and resources to off-system sales activities. Columbia's expressed concern over the possibility of charging a surcharge to its customers would be largely a moot point if it were able to generate sufficient off-system sales revenue to offset a majority of stranded costs.

Continuation of the CAP

Columbia is proposing to continue its CAP through the end of the five-year period proposed for the Customer Choice program. Columbia and the Collaborative have agreed that the CAP, which was originally approved as the result of a settlement among all the parties of Case No. 94-179, is benefiting those that the program is intended to assist and that it should continue in its current form. Columbia proposes that the CAP continue to be administered by the CAC, and that it will be funded through a $175,000 annual contribution from Columbia shareholders as well as the continuation of a charge on all residential, non-CAP volumes which will not exceed 1.5 cents per Mcf. The aggregation of the CAP participants' gas supply requirements by the CAC is intended to decrease the cost of serving CAP customers so that more low-income customers will be able to participate. Columbia will also be implementing recommendations based on its consultant's review of the initial three years of the CAP pilot concerning the administration of the CAP that are intended to make the program more cost-effective.

The Commission is concerned that the costs involved in the CAP out-weigh the benefits, as demonstrated in Columbia's application,[15] especially where ratepayers not

[15] Attachment G of Columbia's Application, Customer Assistance Program Consultant's Report at 14.

participating in the program are concerned. Therefore, the Commission finds that it is reasonable to continue the CAP as a pilot program for the time being and include it as an issue to be reviewed by the consultant retained to perform the Commission's three-year review. As stated earlier, the CAP was initially implemented as the result of a negotiated settlement in Columbia's most recent general rate case. In this instance, Columbia and the members of its Collaborative, most of which were signatories to that settlement, are proposing to continue the CAP, and included it as an integral part of the Customer Choice program. This will give the CAC an opportunity to pursue potential gas cost savings on behalf of these customers, which could translate into benefits for still more low-income customers than are currently being served by this program. The cost to ratepayers will not increase as the CAP surcharge will continue to be capped at 1.5 cents per Mcf, which is the upper limit the Commission imposed when it accepted the CAP pilot as part of the settlement in Case No. 96-179. Under these conditions, we believe extending the CAP pilot in order to observe the results of the administrative changes Columbia intends to implement and the interaction of the Customer Choice program and the CAP will be beneficial.

<u>Tariff Modifications</u>

All references to "marketers" in Columbia's tariffs should be changed to "agents."

Original Sheet No. 37f—Columbia should provide a more complete explanation of paying only 97.5 percent of revenues to marketers. Similar language should be inserted on page 4 of the Aggregation Agreement.

Original Sheet Nos. 37i through 37j are approved with the understanding that they may need to be amended following the Commission's decision in Administrative Case No. 369.

Seventh Revised Sheet No. 50 should be revised so that the Capacity Release Revenues section reads, "Capacity release revenues will be credited 100 percent to gas cost."

First Revised Sheet No. 51b should be modified to identify the CAP as a pilot program. The second sentence should be revised to read, "It is available to eligible residential customers ...."

Original Sheet No. 58 should be modified so that Item 1, GCR Demand, correctly sets out the calculation of demand cost that will be stranded and charged to the Stranded Cost/Recovery Pool as set out in the testimony of Scott Phelps.

Original Sheet Nos. 58 and 59 should be modified to exclude Item 4, Lost Standby Revenues; Item 7, Expiring Contracts; and Item 9, (1), (2), and (3), Capacity Release. Item 8 should be modified to provide for the use of 100 percent of Off-system Sales revenues as opposed to 65 percent. Another item should be added so that revenues collected through the five cent per Mcf marketer charge are included in the recovery pool.

Original Sheet No. 59 should be modified to delete the paragraph below the Net Stranded Costs equation, and replace it with a statement that the recovery of net stranded costs, if any, will be addressed at the end of the pilot period.

SUMMARY

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

1. Columbia's proposed small volume gas transportation program should be approved for a period of five years, from February 1, 2000 through January 31, 2005, subject to the modifications set out herein.

2. Columbia should inform the Commission of the progress of its customer education program development as such information becomes available.

3. Columbia should inform the Commission of the necessity of implementing Phase II of capacity assignment.

4. An external consultant should be retained to perform a review of the progress of the Customer Choice program and other issues in accordance with this Order.

5. Columbia should make the tariff modifications required herein.

6. Columbia's proposal to file an Annual Report with the Commission should be approved with the report to be filed no later than June 1 of each year.

7. Columbia should provide information concerning marketers acting as agents for Columbia as required herein. This information should be provided with its Annual Reports, and up-dated as frequently as necessary for such information to be current.

8. Continuation of the GCIP should not be approved and the associated tariff sheets should be withdrawn.

9. Continuation of the CAP should be approved effective February 1, 2000 through January 31, 2005.

IT IS THEREFORE ORDERED that:

1. Columbia's small volume gas transportation program is approved on a pilot basis effective February 1, 2000 through January 31, 2005.

2. Columbia's small volume gas transportation program shall be modified as required herein.

3. Within 30 days of the date of this Order, Columbia shall file tariff sheets subject to the modifications required herein.

4. Columbia shall inform the Commission of the progress of its customer education program development as such information becomes available. An initial advisory report shall be provided within 10 days of the date of this Order describing the status of the 60-day moratorium on marketer solicitation.

5. The Commission shall retain an external consultant to review the progress of the pilot program approved herein in accordance with the provisions of this Order.

6. Columbia shall inform the Commission of the necessity of implementing Phase II of capacity assignment.

7. Columbia shall file its Annual Report, as described in its application and with the further filing requirements as set out herein, by June 1 of each year. Columbia shall up-date the required marketer information as often as necessary.

8. Columbia's petition to continue its GCIP is hereby denied.

9. Columbia's CAP is approved to be continued as a pilot for a period of five years, effective February 1, 2000 through January 31, 2005.

Done at Frankfort, Kentucky, this 27th day of January, 2000.

By the Commission

ATTEST:

Wm H. Bowker

Deputy Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 99-165 DATED JANUARY 27, 2000

A COMPARISON OF PROPOSED AND APPROVED STRANDED COSTS AND REVENUE OPPORTUNITIES FOR A PERIOD OF FIVE YEARS

Estimated Stranded Costs ($000)

	PROPOSED	APPROVED
GCR Demand	$ 30,973	$ 30,973
Information Technology	150	150
Education	460	460
Lost Standby Revenues	411	0
TOTAL	$ 31,994	$ 31,583

Revenue Opportunities ($000)

	PROPOSED	APPROVED
Capacity Assignment	$ 2,895	$ 2,895
Balancing Charges	6,443	6,443
Expiring Contracts	6,946	0
Off-System Sales	11,672	17,956
Capacity Release	2,904	0
Marketer Contribution	1,134	1,134
TOTAL	$ 31,994	$ 28,428
Revenue Excess (Deficiency)	$ 0	$ (3,155)

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 99-165 DATED JANUARY 27, 2000

APPROVED STRANDED COSTS AND REVENUE OPPORTUNITIES FOR THE PERIOD PROPOSED FOR THE CUSTOMER CHOICE PROGRAM ($000)

		Nov/Dec 1999	2000	2001	2002	2003	Thru Oct 2004	Total
STRANDED COSTS								
GCR – Demand	$	495	3,842	5,580	6,223	7,451	7,382	30,973
Information Technology		150						150
Education		250	50	20	20	50	70	460
Lost Standby Revenues		0	0	0	0	0	0	000
TOTAL	$	895	3,892	5,600	6,243	7,501	7,452	31,583
REVENUE OPPORTUNITIES								
Capacity Assignment	$	0	184	274	614	736	1,087	2,895
Balancing Charges		132	901	1,325	1,296	1,527	1,262	6,443
Expiring Contracts		0	0	0	0	0	0	000
Off-System Sales		780	4,024	3,670	3,566	3,360	2,556	17,956
Capacity Release		0	0	0	0	0	0	000
Marketer Contributions		19	143	210	231	273	258	1,134
TOTAL	$	931	5,252	5,479	5,707	5,896	5,163	28,428
NET STRANDED COSTS	$	(36)	(1,360)	(121)	(536)	(1,605)	(1,605)	(3,155)