

May 30, 2008

Ms. Stephanie Stumbo
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

RECEIVED
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PUBLIC SERVICE
COMMISSION

2008-00195

Dear Ms. Stumbo:

On October 29, 2007, pursuant to the Commission's Order dated August 29, 2007 accepting the Joint Stipulation and Recommendation among the parties in Case No. 2007-00008 ("Joint Stipulation"), Columbia Gas of Kentucky, Inc. ("Columbia") filed with the Commission a statement indicating that it would seek the Commission's approval to continue its Customer CHOICESM pilot program under the current terms and conditions and pursuant to the current arrangements with marketers for an additional two (2) year period to end on March 31, 2011. To effectuate that statement, Columbia's application is attached hereto for docketing with the Commission.

If you have any questions, please feel free to call me at 859-288-0242 or e-mail jmcoop@nisource.com.

Thank you,



Judy M. Cooper
Director, Regulatory Policy

cc: Case No. 2007-00008 Service List

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:)

THE APPLICATION OF COLUMBIA GAS)
OF KENTUCKY, INC. TO EXTEND ITS)
SMALL VOLUME GAS TRANSPORTATION)
SERVICE.)

Case No. 2008- 00195

APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC.

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

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

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

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

(c) That Columbia's Articles of Incorporation have previously been filed with the Commission in Case No. 2000-129 and are incorporated herein by reference.

(d) That by this Application Columbia does not seek to adjust its base rates. This Application seeks authorization to amend Columbia's tariffs in order to continue to offer an optional

small volume gas transportation service or “CHOICE¹ program”. The pilot program is entirely voluntary and allows small volume customers (annual usage below 25,000 Mcf) to purchase natural gas from a certified marketer with Columbia continuing to perform the distribution function and remaining the supplier of last resort in the event a supplier fails to make its required gas deliveries. The purpose of this request is to continue to offer this gas supply option to customers.

(e) Columbia’s CHOICE pilot program, as originally proposed by Columbia, was approved by the Commission, subject to certain changes, by Order dated January 27, 2000 in Case No. 1999 -00165. Further changes were approved in subsequent rehearing Orders dated March 6, 2000 and May 19, 2000. The original Choice Program pilot was scheduled to run through October 31, 2004.

(f) On June 6, 2003, Columbia filed a motion in which it requested permission to terminate the pilot program, effective March 31, 2004. On June 12, 2003, Interstate Gas Supply, Inc. (“IGS”) filed a petition in which it opposed Columbia’s motion and requested that the pilot program be made permanent. The National Energy Marketers’ Association and Volunteer Energy Services, Inc. subsequently moved to intervene in support of IGS’s petition. Following the filing of Columbia’s motion and IGS’s petition, the parties engaged in settlement discussions. Those discussions resulted in an agreement, reflected in a pleading filed on August 12, 2003. In that pleading, Columbia agreed to withdraw its motion to terminate the pilot program, and also requested that the Commission extend the pilot program through March 31, 2005. On September 25, 2003, the Commission issued an Order in which it agreed to extend the pilot program through

¹ Customer CHOICESM 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.

March 31, 2005, and in which it encouraged the parties to continue discussing the future of the pilot program.

(g) Over the course of the next year, Columbia and IGS met on several occasions to discuss the future of the CHOICE program. Columbia and IGS were able to agree on the concepts of a regulatory structure for submission to the Commission, and that agreement was embodied in the proposals contained in the application filed by Columbia on November 30, 2004, in Case No. 2004-00462. In its application, Columbia stated that no later than March 31, 2007, it would notify the Commission and parties to the case of its intentions with regard to possible continuation of the new pilot program beyond March 31, 2009. The new CHOICE program was approved by the Commission on March 29, 2005, and was scheduled to run from April 1, 2005 through March 31, 2009. On March 30, 2007, Columbia tendered its intentions to the Commission and parties stating that it had not yet reached a determination, that the outcome of its pending rate case might impact the decision-making process, and that it might be year-end before coming to a conclusion.

(h) On February 1, 2007, Columbia filed an application in Case No. 2007-00008 seeking to increase its gas revenues and to revise, add, and delete several tariffs applicable to its gas service. Columbia proposed no changes to the terms of its CHOICE program. Columbia proposed only to revise the applicable Delivery Charge in Rate Schedule SVGTS – Small Volume Gas Transportation Service consistent with its proposed revised Delivery Charge in Rate Schedule GS – General Service². No revisions were proposed to Rate Schedule SVAS - Small Volume Aggregation Service. IGS, the Attorney General of the Commonwealth of Kentucky; Lexington-Fayette Urban County Government; and Kentucky Industrial Utility Customers all intervened in the case. On August 10, 2007, the Columbia and the other parties filed a Joint Stipulation and Recommendation that resolved all of the issues in Columbia's rate case. Revisions to Columbia's CHOICE program in Rate Schedule SVAS were among the items included in the Joint Stipulation and Recommendation, along with a provision that promptly after the Commission's issuance of a final order Columbia would notify the Commission and parties of Columbia's intentions with regard to possible continuation of the CHOICE pilot program beyond March 31, 2009. By Order dated August 29, 2007, the Commission accepted the Joint Stipulation and Recommendation of the parties.

(i) On October 29, 2007, Columbia filed with the Commission a statement indicating that it would seek the Commission's approval to continue the CHOICE program under the current terms and conditions and pursuant to the current arrangements with marketers for an additional two (2) year period to end on March 31, 2011.

(j) Consistent with its October 29, 2007 statement of intention, Columbia proposes to amend Tariff Sheet 30 - Rate Schedule SVGTS and Tariff Sheets 33 and 36 – Rate Schedule

² The applicable Delivery Charge or Base Rate Charge is the same whether or not customers participate in the CHOICE program. The Delivery Charge was increased for all customers.

SVAS to extend the effective date of the new CHOICE program as authorized by the Commission in Case No. 2007-00008 for two (2) years through March 31, 2011. The proposed tariff sheets are attached hereto as Attachment A.

WHEREFORE, for the reasons stated herein, Columbia respectfully requests that the Commission approve the proposed tariff revisions set forth in Attachment A, and authorize Columbia to continue its CHOICE Program through March 31, 2011.

Dated this 30th day of May 2008.

Respectfully submitted,

COLUMBIA GAS OF KENTUCKY, INC.

By: Stephen B. Seiple (gmc)
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Lead Counsel

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Fax: (502): 226-6383

Attorneys for
COLUMBIA GAS OF KENTUCKY, INC.

ATTACHMENT A

Marked Tariff Sheets

Proposed Tariff Sheets

COLUMBIA GAS OF KENTUCKY, INC.

P.S.C. Ky. No. 5

**SMALL VOLUME GAS TRANSPORTATION SERVICE
(SVGTS)
RATE SCHEDULE**

APPLICABILITY

Entire service territory of Columbia Gas of Kentucky through March 31, 2011⁰⁹. See Sheet No. 8 for a list of communities. I

AVAILABILITY

Available to any customer that meets the following requirements:

- (1) Customer must be part of a Marketer's Aggregation Pool as the term is defined herein, and
 - (a) The Aggregation Pool 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 Aggregation Pool 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.

DATE OF ISSUE: April-May 30¹², 2008⁰⁵

DATE EFFECTIVE: April 1^{June 29}, 2008⁰⁵

ISSUED BY: Joseph W. Kelly/Herbert A Miller, Jr. _____
President

Issued by authority of an Order of the Public Service Commission in Case No. 2004-00462 dated March 29, 2006

COLUMBIA GAS OF KENTUCKY, INC.

P.S.C. Ky. No. 5

**SMALL VOLUME AGGREGATION SERVICE
(SVAS)
RATE SCHEDULE**

APPLICABILITY

Entire service territory of Columbia Gas of Kentucky through March 31, 2001¹⁹. 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 an Aggregation Pool 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 customers 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 determination of adequate managerial, financial and technical abilities to provide the service Marketer intends to offer;
2. Satisfactory completion of a determination of credit worthiness by Columbia;
3. Execution of a contract with Columbia for Small Volume Aggregation Service;
4. Marketer agrees to accept assignment of upstream pipeline firm transportation services capacity (FTS) in an amount equal to the Marketer's Daily Delivery Requirement as defined herein;
5. 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;
6. Marketer agrees to flow gas in accordance with the Marketer's Daily Delivery Requirement provided by Columbia.

AGGREGATION POOL

Marketers will be required to establish at least one Aggregation Pool for aggregation purposes.

DATE OF ISSUE: April-May 30¹², 2008⁵

DATE EFFECTIVE: April-June 1²⁹, 2008⁵

ISSUED BY: Joseph W. Kelly Herbert A Miller, Jr. _____

President

COLUMBIA GAS OF KENTUCKY, INC.

P.S.C. Ky. No. 5

**SMALL VOLUME AGGREGATION SERVICE
(SVAS)
RATE SCHEDULE (Continued)**

SCHEDULING DELIVERIES

Marketers must schedule all daily deliveries using the Company's nomination web site.

ANNUAL IMBALANCE RECONCILIATION

Once each year Columbia will reconcile each Marketer's imbalance that has accumulated since the prior reconciliation by determining the difference between: (1) the Marketer's deliveries to Columbia during the reconciliation period, adjusted for Btu value and Company Use and Unaccounted For gas; and, (2) the actual consumption of the Marketer's Aggregation Pool, inclusive of all adjustments applicable to the reconciliation period.

If the reconciliation shows that the Marketer delivered more than what was consumed during the period, then Columbia will pay the Marketer for the excess deliveries. If the reconciliation shows that the Marketer delivered less than what was consumed during the period, then the Marketer will pay Columbia for the under deliveries. Columbia will perform the reconciliation, including associated payment or billing, in the month following the end of the reconciliation period.

The price to be paid for gas to resolve any such imbalance will be the average price during the reconciliation period reported in PLATTS *Inside FERC's Gas Market Report* in the monthly report titled "Prices of Spot Gas Delivered to Pipelines," under the column heading "Index" for "Columbia Gas Transmission Corp., Appalachia", adjusted for Columbia Gas Transmission Corporation's FTS Retainage, and commodity charges.

The first reconciliation period shall be the eight-month period ending March 31, 2005. The second reconciliation period shall be the sixteen-month period ending July 31, 2006. Thereafter, the reconciliation period shall end on July 31 of each year, except that, should the effective date of this tariff not continue past March 31, 2009¹¹, the final reconciliation period will be an eight-month period ending on March 31, 2009¹¹.

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DATE OF ISSUE: ~~April 12~~ May 30, 2008⁵

DATE EFFECTIVE: ~~April 1~~ June 29, 2008⁵

ISSUED BY: ~~Joseph W. Kelly~~ Herbert A Miller, Jr.

President

Issued by authority of an Order of the Public Service Commission in Case No. 2004-00462 dated March 29, 2005

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COLUMBIA GAS OF KENTUCKY, INC.

P.S.C. Ky. No. 5

**SMALL VOLUME GAS TRANSPORTATION SERVICE
(SVGTS)
RATE SCHEDULE**

APPLICABILITY

Entire service territory of Columbia Gas of Kentucky through March 31, 2011. See Sheet No. 8 for a list of communities. T

AVAILABILITY

Available to any customer that meets the following requirements:

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 - (a) The Aggregation Pool 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 Aggregation Pool 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,
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DATE OF ISSUE: May 30, 2008

DATE EFFECTIVE: June 29, 2008

ISSUED BY: Herbert A Miller, Jr.

President

COLUMBIA GAS OF KENTUCKY, INC.

P.S.C. Ky. No. 5

**SMALL VOLUME AGGREGATION SERVICE
(SVAS)
RATE SCHEDULE**

APPLICABILITY

Entire service territory of Columbia Gas of Kentucky through March 31, 20011. 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 an Aggregation Pool 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 customers participating in Columbia's small volume transportation service program.

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2. Satisfactory completion of a determination of credit worthiness by Columbia;
3. Execution of a contract with Columbia for Small Volume Aggregation Service;
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5. 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;
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ISSUED BY: Herbert A Miller, Jr.

President

COLUMBIA GAS OF KENTUCKY, INC.

P.S.C. Ky. No. 5

**SMALL VOLUME AGGREGATION SERVICE
(SVAS)
RATE SCHEDULE (Continued)**

SCHEDULING DELIVERIES

Marketers must schedule all daily deliveries using the Company's nomination web site.

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