

March 26, 2009

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Sent via
UPS Next Day

Mr. Jeff Derouen
Executive Director
Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
PO Box 615
Frankfort, KY 40602-0615

Re: **Case No. 2008-00433**

Dear Mr. Derouen:

Enclosed for filing are the original and eleven (11) copies of a Stipulation and Recommendation in Case No. 2008-00433. Please docket the original and ten (10) copies and return the extra copy to me in the self addressed stamped envelope enclosed.

Should you have any questions, please give me a call at 614.460.4648.

Sincerely,



Stephen B. Seiple
Attorney for
Columbia Gas of Kentucky, Inc.

Attachment

Cc: Parties of Record

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the matter of:)
)
THE APPLICATION OF COLUMBIA GAS)
OF KENTUCKY, INC. TO EXTEND ITS) CASE NO. 2008-00433
GAS COST INCENTIVE PROGRAM AND)
ITS OFF-SYSTEM SALES AND CAPACITY)
RELEASE REVENUE SHARING MECHA-)
NISM)

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STIPULATION AND RECOMMENDATION

It is the intent and purpose of the parties to this proceeding, namely Columbia Gas of Kentucky, Inc. ("Columbia") and Interstate Gas Supply, Inc., to express their agreement on a mutually satisfactory resolution of all of the issues in the instant proceeding.

It is understood by all parties hereto that this Stipulation and Recommendation is not binding upon the Public Service Commission ("Commission"), nor does it represent agreement on any specific theory supporting the appropriateness of the recommendations herein. The parties have expended considerable efforts to reach the agreements that form the basis of this Stipulation and Recommendation. The parties, representing diverse interests and divergent viewpoints, agree that this Stipulation and Recommendation, viewed in its entirety, constitutes a reasonable resolution of all issues in this proceeding.

In addition, the adoption of this Stipulation and Recommendation will eliminate the need for the Commission and the parties to expend significant resources in litigation of this proceeding, and eliminate the possibility of, and any need for, rehearing or appeals of the Commission's final order herein. It is the position of the parties hereto that this Stipulation and Recommendation is supported

by sufficient and adequate data and information, and is entitled to serious consideration by the Commission. Based upon the parties' participation in settlement conferences and the materials on file with the Commission, and upon the belief that these materials adequately support this Stipulation and Recommendation, the parties hereby stipulate and recommend the following:

1. Columbia's Gas Cost Incentive Mechanism should be authorized to continue to operate during April through October each year from April 1, 2009 to October 31, 2012, as proposed in Columbia's Application filed on October 3, 2008.

2. Columbia's Off-System Sales and Capacity Release Revenue Sharing Mechanism ("OSS/CR RSM") should be authorized to continue to operate from April 1, 2009 through March 31, 2013, as proposed in Columbia's Application filed on October 3, 2008. However, the Commission's approval of the continuation of the 50% sharing ratio of OSS/CR RSM for the final two years of the period ending March 31, 2013 is conditioned upon the continuation of Columbia's CHOICE program through March 31, 2013.

A. By Order dated November 7, 2008 in Case No. 2008-00195 the Commission authorized Columbia to continue its CHOICE program through March 31, 2011. This Stipulation does not address an extension of Columbia's CHOICE program, but the parties agree that matter may be addressed in a separate docket sometime closer to the March 31, 2011 expiration of the CHOICE program. The parties do, however, agree that there should be no changes to Columbia's current CHOICE program, nor to the rate treatment and recovery of costs related to the CHOICE program, prior to March 31, 2011 unless mutually agreed to by both parties.

- B. If Columbia's CHOICE program is continued through March 31, 2013, or beyond, by means of a Commission order in a subsequent proceeding, then Columbia's 50% sharing ratio of OSS/CR RSM should continue through March 31, 2013 as described in Columbia's Application filed on October 3, 2008 in the instant docket.
- C. If Columbia's CHOICE program is not continued beyond March 31, 2011, then Columbia agrees to allow the Commission to review its authorized continuation of Columbia's 50% sharing ratio of OSS/CR RSM. In this case, if Columbia desires to continue the current sharing ratio of OSS/CR RSM beyond March 31, 2011, Columbia must file an application in a new docket seeking such authority. If Columbia files such an application, IGS preserves all its rights to raise any issues it might have with respect to such an application.
- D. Columbia shall file a notice to either extend or terminate the CHOICE program by October 1st of 2010.

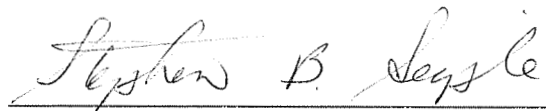
3. If the Commission issues an order adopting this Stipulation and Recommendation in its entirety, each of the parties hereto agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin County Circuit Court with respect to such order.

4. In the event the Commission should reject or modify all or any portion of this Stipulation and Recommendation, or impose additional conditions or requirements upon the signatory parties, each signatory party shall have the right, within thirty (30) days of the Commission's order, to either file an application for rehearing or terminate and withdraw from the Stipulation and Recommendation by filing a notice with the Commission. Upon rehearing,

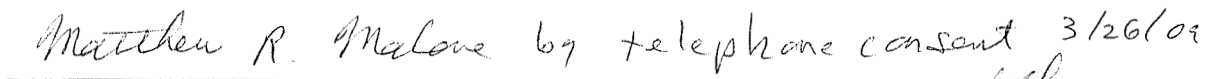
any signatory party shall have the right within fifteen (15) days of the Commission's order on rehearing to file a notice of termination or withdrawal from this Stipulation and Recommendation. In such event the terms of this Stipulation and Recommendation shall not be deemed binding upon the parties hereto, nor shall such Stipulation and Recommendation be admitted into evidence, or referred to, or relied upon in any manner by any party hereto.

5. All of the parties hereto agree that the foregoing Stipulation and Recommendation is reasonable and in the best interests of all concerned, and urge the Commission to adopt the Stipulation and Recommendation in its entirety.

AGREED, this 26th day of March, 2009.



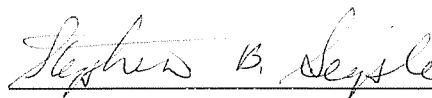
Hon. Stephen B. Seiple
Counsel
On behalf of Columbia Gas of Kentucky, Inc.



Hon. Matthew R. Malone
Of Hurt, Crosbie, & May PLLC
On behalf of Interstate Gas Supply, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Stipulation and Recommendation was served upon all parties of record by regular U. S. mail and electronic mail this 26th day of March, 2009.



Stephen B. Seiple

Attorney for

COLUMBIA GAS OF KENTUCKY INC.

SERVICE LIST

Hon. William H. May, III
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