

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF COLUMBIA GAS)	
OF KENTUCKY, INC. TO EXTEND ITS GAS)	
COST INCENTIVE PROGRAM AND ITS)	CASE NO.
OFF-SYSTEM SALES AND CAPACITY)	2008-00433
RELEASE SHARING MECHANISM)	

O R D E R

This matter was initiated with the application of Columbia Gas of Kentucky, Inc. (“Columbia”) for authority to continue its gas cost incentive mechanism (“GCIM”) and off-system sales and capacity release (“OSS/CR”) 50 – 50 revenue sharing mechanism for four years. The sole intervenor, Interstate Gas Supply, Inc. (“IGS”), a marketer in Columbia’s Choice Program, opposed extending the OSS/CR revenue sharing ratio beyond the two-year term by which the Choice Program was recently extended.¹

The matter was set for hearing after the parties submitted comments and reply comments clarifying their positions. On March 30, 2009, on behalf of itself and IGS, Columbia filed a Stipulation and Recommendation (“Stipulation”) which set forth a mutual resolution of all issues in this proceeding, which included extending the OSS/CR 50 – 50 sharing ratio for four years, through March 2013, as proposed by Columbia in its October 3, 2008 application.

¹ Case No. 2008-00195, The Application of Columbia Gas of Kentucky, Inc. to Extend its Small Volume Gas Transportation Service (Ky. PSC Nov. 7, 2008).

The Commission, by Order dated April 15, 2009, approved the Stipulation with modification, based on our finding that the Stipulation contained conflicting language concerning the continuation of the 50 – 50 OSS/CR sharing ratio. On May 7, 2009, Columbia and IGS filed a Joint Petition for Reconsideration (“Petition”) requesting that the Commission reconsider, revise and clarify its April 15, 2009 Order.

BACKGROUND

The Commission’s concern with the Stipulation was that Paragraph 2 stated that its approval of the OSS/CR 50 – 50 sharing ratio for the last two years of the period ended March of 2013 was conditioned upon the continuation of the Choice Program through that date while Paragraph 2.c. stated that, if the Choice Program was not so continued, Columbia would have to file an application in a new case for such approval.

In their Petition, Columbia and IGS state that the intent of the Stipulation was to address two alternative scenarios, although the status of the OSS/CR sharing ratio for the last two years of the period ended March 2013 under both scenarios is conditioned upon the continuation of the Choice Program. In Scenario One, the Choice Program is continued through March 2013, the condition is met and the 50 – 50 sharing continues through March 2013. Under Scenario Two, the Choice Program is not continued beyond the current March 2011 expiration date, the condition is not met and Columbia is required to seek Commission approval to continue the 50 – 50 sharing ratio beyond that same date.

ANALYSIS AND CONCLUSION

The language of the Petition expands upon and clarifies the parties’ intent in the Stipulation. There is no longer any contradiction or ambiguity as to the parties’ intent

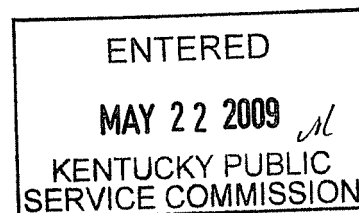
with regard to the continuation of the OSS/CR 50 – 50 sharing ratio beyond March 2011. Should the Choice Program be continued, the 50 -- 50 sharing ratio is continued through 2013 without further approval required. In the event the Choice Program is not continued beyond 2011, Columbia must seek, in a separate proceeding, Commission approval to continue the 50 – 50 sharing ratio.

Based on a review of the Petition and the Stipulation, the Commission finds that the provisions of the Stipulation, as clarified by the Petition, are reasonable and should be approved without modification.

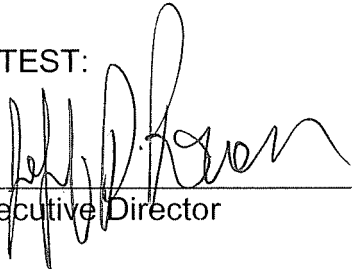
IT IS THEREFORE ORDERED that:

1. The parties' Petition is granted as addressed herein.
2. The Stipulation, as clarified by the May 7, 2009 Petition, is approved without modification.
3. Columbia shall file revised tariff sheets, which reflect the extensions of the mechanisms approved herein, within 20 days from the date of this Order.
4. All other provisions of our April 15, 2009 Order in this matter are unchanged and shall remain in full force and effect.

By the Commission



ATTEST:



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