

September 14, 2009

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**PUBLIC SERVICE
COMMISSION**

Mr. Jeff DeRouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

Re: Columbia Gas of Kentucky, Inc.
General Rates Case No. 2009 - 00141

Dear Mr. DeRouen:

Columbia Gas of Kentucky, Inc. ("Columbia") hereby submits and original and ten (10) copies of the Stipulation and Recommendation of all the parties in Case No. 2009-00141. An original and ten (10) copies of the Direct Testimony of Herbert A. Miller, Jr. in support of the Stipulation and Recommendation is also enclosed.

Columbia also requests an informal conference to be held September 15, 2009 at 3 pm to discuss the Stipulation and Recommendation with Commission Staff and all parties.

Very truly yours,

Stephen B. Seiple (gmc)

Stephen B. Seiple
Assistant General Counsel

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF AN ADJUSTMENT)
OF GAS RATES OF COLUMBIA GAS) CASE NO. 2009-00141
OF KENTUCKY, INC.)

STIPULATION AND RECOMMENDATION

It is the intent and purpose of the parties to this proceeding, namely Columbia Gas of Kentucky, Inc. (“Columbia”); the Attorney General of the Commonwealth of Kentucky; the Lexington-Fayette Urban County Government; the Kentucky Industrial Utility Customers; Interstate Gas Supply, Inc., the Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.; AARP; Constellation NewEnergy-Gas Division, LLC; and Stand Energy Corporation 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 any recommended adjustments to Columbia’s rates. The parties have expended considerable efforts to reach the agreements that form the basis of this Stipulation and Recommendation. All of 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 should be authorized to adjust its base rates in order to permit it an opportunity to recover \$6,125,000 more in annual revenue than it is recovering under its current base rates, with such revised rates to be effective for service rendered on and after October 27, 2009. Columbia agrees to withdraw its proposed Straight Fixed Variable rate design, and instead the increased revenue requirement shall be reflected in increases to the customer charges associated with Columbia's various rate schedules, and there shall be no change in any of Columbia's volumetric rates except Rate Schedule IUS. The pro-forma tariff sheets attached hereto as Attachment A are recommended as reflecting the new rates to be effective as of the aforementioned date. These pro-forma tariff sheets further reflect rates that are designed to allow Columbia to recover the increased revenue from its various classes of customers, in the manner agreed to by the parties to this Stipulation and Recommendation. Columbia will not file prior to October 1, 2010, any application that proposes to implement a Straight Fixed Variable rate design.

2. Columbia will be permitted to implement its Accelerated Main Replacement Program ("AMRP") Rider as proposed in Columbia's Application and supporting testimony, and Columbia will utilize an 8.10% weighted average cost of capital grossed up for federal and state income taxes.

3. The authorized return on equity agreed to by the parties is 10.5% for the AMRP filings.

4. Columbia's proposed Demand Side Management program and associated Energy Efficiency and Conservation Program Rider are approved as filed in Columbia's Application and supporting testimony. Columbia agrees to establish a DSM Collaborative in January 2010 in order to develop a second-phase DSM program, including DSM measures targeted for low-income customers. Columbia will file with the Commission a second-phase DSM proposal and corresponding Energy Efficiency and Conservation Rider adjustment proposal by August 2, 2010. All parties to this case will be invited to participate in the DSM Collaborative.

5. Columbia's reconnection fee resulting from non-payment will remain at \$25.

6. Columbia's tariffs should be revised as follows:

- (a) Columbia will be permitted to implement a late payment charge on residential accounts as filed in Columbia's Application and supporting testimony, with the following modification. Columbia's residential customers who have entered into payment plans will not be charged a late payment charge on arrearages so long as such customers remain current on their payments under the terms of the agreed upon payment plan. Columbia customers enrolled in utility bill assistance programs (including those customers who have been issued a Certificate of Need) shall not be charged a late payment charge.¹

¹ To fully implement this provision, Columbia will need to implement computer programming changes. Pending completion of those programming changes should any customers inadvertently be assessed a late payment charge contrary to the terms of this paragraph, Columbia will manually adjust such customers' bills to remove the charge.

- (b) Columbia will revise its Gas Cost Adjustment clause to incorporate a factor to recover uncollectible expenses attributable solely to the commodity cost of gas.
- (c) All of the other tariff changes proposed in Columbia's Application shall be adopted.

The foregoing changes are reflected in the proposed tariff sheets attached to this Stipulation and Recommendation as Attachment A.

7. Columbia withdraws the depreciation study it submitted as part of this proceeding. Therefore, Columbia's current depreciation accrual rates will continue to be used until such time when Columbia provides a new depreciation study and the study is accepted by the Commission.

8. Columbia withdraws its request in this docket for authority to defer pension and other postretirement employee benefits ("OPEB") expenses. Columbia also withdraws its request for the Pension and OPEB Mechanism (also referred to as Rider POM). Columbia may continue to seek Commission approval of its application in Case No. 2009-00168, where Columbia has requested authority to defer as a regulatory asset or regulatory liability the difference between its annual pension and OPEB expenses and the level of said expenses included in current rates. As part of the settlement of the instant case, Columbia agrees to support an Attorney General's petition in Case No. 2009-00168 in which the Attorney General will request an opportunity to file comments and/or testimony in that docket. Any such petition shall be filed by October 1, 2009. Given that Columbia has requested a Commission order in Case No. 2009-00168 by the end of 2009, the Attorney General's petition will suggest that its comments and/or testimony in Case No. 2009-

00168 be due by October 16, 2009, and that Columbia's reply comments and/or rebuttal testimony be due by October 30, 2009.

9. Columbia will withdraw its PPS and NSS program proposals. Columbia agrees that, if it chooses to resubmit any proposal for PPS and/or NSS programs, it will not resubmit any such proposal prior to July 1, 2010. Prior to Columbia's filing of any proposal to implement PPS and/or NSS programs, Columbia agrees to consult with Interstate Gas Supply, Inc., Stand Energy Corporation and Constellation NewEnergy-Gas Division, LLC so that these marketers will have an opportunity to offer input into development of the PPS and/or NSS proposals prior to filing.

10. Columbia sought Commission authorization for a two-year amortization of rate case expenses. Columbia's actual rate case expenses will be deferred and recovered over a three-year period.

11. Attached to this Stipulation and Recommendation as Attachment B are proof-of-revenue sheets, showing that the rates set forth in Attachment A will generate the proposed revenue increase to which the parties have agreed in Paragraph number 1 hereof.

12. Each party hereto waives all cross-examination of the witnesses of the other parties hereto except in support of the Stipulation and Recommendation, or unless the Commission disapproves this Stipulation and Recommendation, and each party further stipulates and recommends that the Notice of Intent, Notice, Application, testimony, pleadings and responses to data requests filed in this proceeding be admitted into the record.

13. This Stipulation and Recommendation is submitted for purposes of this case only and is not deemed binding upon the parties hereto in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving Columbia or any other utility.

14. 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.

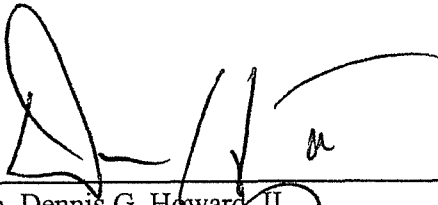
15. In the event the Commission should reject or modify all or any portion of this Stipulation and Recommendation, or impose additional conditions or requirements upon the signatory parties, each signatory party shall have the right, within twenty (20) days of the Commission's order, to either file an 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.

16. 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 ____ day of September, 2009.

Stephen B. Seiple

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

A handwritten signature in black ink, consisting of a large, stylized initial 'D' followed by a vertical line and a horizontal flourish.

Hon. Dennis G. Howard, II
On behalf of the Attorney General of the Commonwealth of Kentucky

David J. Barberie

Hon. David J. Barberie

On behalf of the Lexington-Fayette Urban County Government

*Subject to approval/ratification of
the Urban County Council*

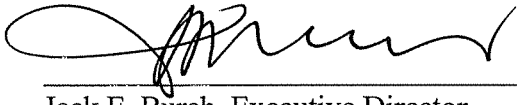
A handwritten signature in cursive script, reading "David F. Boehm".

Hon. David F. Boehm

On behalf of the Kentucky Industrial Utility Customers

A handwritten signature in black ink, appearing to read "Matthew Malone". The signature is written in a cursive style with a prominent initial "M".

Hon. Matthew Malone
On behalf of Interstate Gas Supply, Inc.



Jack E. Burch, Executive Director

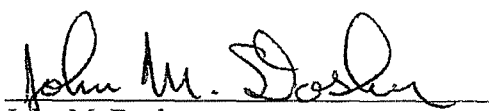
On behalf of the Community Action Council for Lexington-Fayette, Bourbon, Harrison, and
Nicholas Counties, Inc.

A handwritten signature in black ink, appearing to read 'Tom FitzGerald', is written over a horizontal line. The signature is stylized with a large initial 'T' and a long, sweeping underline.

Hon. Tom FitzGerald
On behalf of AARP

Robert Watt

Hon. Robert M. Watt, III
On behalf of Constellation NewEnergy-Gas Division, LLC

A handwritten signature in black ink, appearing to read "John M. Dosker". The signature is written in a cursive style with a horizontal line underneath it.

John M. Dosker

On behalf of Stand Energy Corporation

ATTACHMENT A

TARIFFS

COLUMBIA GAS OF KENTUCKY, INC.

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Issued by: Herbert A. Miller, Jr.

President

COLUMBIA GAS OF KENTUCKY, INC.

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COLUMBIA GAS OF KENTUCKY, INC.

CURRENTLY EFFECTIVE BILLING RATES

<u>SALES SERVICE</u>	<u>Base Rate</u>	<u>Gas Cost Adjustment^{1/}</u>		<u>Total</u>
	<u>Charge</u>	<u>Demand</u>	<u>Commodity</u>	<u>Billing</u>
	\$	\$	\$	\$
<u>RATE SCHEDULE GSR</u>				
Customer Charge per billing period	12.35			12.35
Delivery Charge per Mcf	1.8715	1.2355	2.4480	5.5550
<u>RATE SCHEDULE GSO</u>				
<u>Commercial or Industrial</u>				
Customer Charge per billing period	25.13			25.13
Delivery Charge per Mcf -				
First 50 Mcf or less per billing period	1.8715	1.2355	2.4480	5.5550
Next 350 Mcf per billing period	1.8153	1.2355	2.4480	5.4988
Next 600 Mcf per billing period	1.7296	1.2355	2.4480	5.4131
Over 1,000 Mcf per billing period	1.5802	1.2355	2.4480	5.2637
<u>RATE SCHEDULE IS</u>				
Customer Charge per billing period	583.39			583.39
Delivery Charge per Mcf				
First 30,000 Mcf per billing period	0.5467		2.4480 ^{2/}	2.9947
Over 30,000 Mcf per billing period	0.2905		2.4480 ^{2/}	2.7385
Firm Service Demand Charge				
Demand Charge times Daily Firm				
Volume (Mcf) in Customer Service Agreement		6.5675		6.5675
<u>RATE SCHEDULE IUS</u>				
Customer Charge per billing period	331.50			331.50
Delivery Charge per Mcf				
For All Volumes Delivered	0.7750	1.2355	2.4480	4.4586

1/ The Gas Cost Adjustment, as shown, is an adjustment per Mcf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets 48 through 51 of this Tariff. The Gas Cost Adjustment applicable to a customer who is receiving service under Rate Schedule GS or IUS and received service under Rate Schedule SVGTS shall be \$6.5153 per Mcf only for those months of the prior twelve months during which they were served under Rate Schedule SVGTS

2/ IS Customers may be subject to the Demand Gas Cost, under the conditions set forth on Sheets 14 and 15 of this tariff.

DATE OF ISSUE: September 14, 2009

DATE EFFECTIVE: October 27, 2009

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President

COLUMBIA GAS OF KENTUCKY, INC.

P.S.C. Ky. No. 5

CURRENTLY EFFECTIVE BILLING RATES

(Continued)

<u>TRANSPORTATION SERVICE</u>	<u>Base Rate Charge</u> \$	<u>Gas Cost Adjustment^{1/} Demand</u> \$	<u>Commodity</u> \$	<u>Total Billing Rate</u> \$
<u>RATE SCHEDULE SS</u>				
Standby Service Demand Charge per Mcf				
Demand Charge times Daily Firm				
Volume (Mcf) In Customer Service Agreement		6.5675		6.5675
Standby Service Commodity Charge per Mcf			2.4480	2.4480
<u>RATE SCHEDULE DS</u>				
Administrative Charge per account per billing period				55.90
Customer Charge per billing period ^{2/}				583.39
Customer Charge per billing period (GDS only)				25.13
Customer Charge per billing period (IUDS only)				331.50
<u>Delivery Charge per Mcf^{2/}</u>				
First 30,000 Mcf	0.5467			0.5467
Over 30,000 Mcf	0.2905			0.2905
- Grandfathered Delivery Service				
First 50 Mcf or less per billing period				1.8715
Next 350 Mcf per billing period				1.8153
Next 600 Mcf per billing period				1.7296
All Over 1,000 Mcf per billing period				1.5802
- Intrastate Utility Delivery Service				
All Volumes per billing period				0.7750
Banking and Balancing Service				
Rate per Mcf		0.0208		0.0208
<u>RATE SCHEDULE MLDS</u>				
Administrative Charge per account each billing period				55.90
Customer Charge per billing period				200.00
Delivery Charge per Mcf				0.0858
Banking and Balancing Service				
Rate per Mcf		0.0208		0.0208
^{1/} The Gas Cost Adjustment, as shown, is an adjustment per Mcf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets 48 through 51 of this Tariff. ^{2/} Applicable to all Rate Schedule DS customers except those served under Grandfathered Delivery Service or Intrastate Utility Delivery Service.				

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President

COLUMBIA GAS OF KENTUCKY, INC.

P.S.C. Ky. No. 5

CURRENTLY EFFECTIVE BILLING RATES

<u>RATE SCHEDULE SVGTS</u>	<u>Billing Rate</u>
	\$
<u>General Service Residential</u>	
Customer Charge per billing period	12.35
Delivery Charge per Mcf	1.8715
<u>General Service Other - Commercial or Industrial</u>	
Customer Charge per billing period	25.13
Delivery Charge per Mcf -	
First 50 Mcf or less per billing period	1.8715
Next 350 Mcf per billing period	1.8153
Next 600 Mcf per billing period	1.7296
Over 1,000 Mcf per billing period	1.5802
<u>Intrastate Utility Service</u>	
Customer Charge per billing period	331.50
Delivery Charge per Mcf	\$ 0.7750
<u>Actual Gas Cost Adjustment ^{1/}</u>	
For all volumes per billing period per Mcf	(\$ 2.7108)
<u>RATE SCHEDULE SVAS</u>	
Balancing Charge – per Mcf	\$ 1.0976

^{1/} The Gas Cost Adjustment is applicable to a customer who is receiving service under Rate Schedule SVGTS and received service under Rate Schedule GS, IS, or IUS for only those months of the prior twelve months during which they were served under Rate Schedule GS, IS or IUS.

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Thirty Seventh Revised Sheet No. 7a
Superseding
Thirty Sixth Revised Sheet No. 7a

COLUMBIA GAS OF KENTUCKY, INC.

P.S.C. Ky. No. 5

CURRENTLY EFFECTIVE BILLING RATES

THIS SHEET IS BEING ELIMINATED – INFORMATION HAS BEEN MOVED TO SHEET NO 7

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DATE OF ISSUE: September 14, 2009

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ISSUED BY: Herbert A. Miller, Jr.

President

COLUMBIA GAS OF KENTUCKY, INC.

**GENERAL SERVICE (GS) AND GENERAL PROPANE SERVICE (GPS)
SALES SERVICE RATE SCHEDULES**

APPLICABILITY

Entire service territory of Company. See Sheet 8 for a list of communities.

AVAILABILITY OF SERVICE

Available to residential, commercial and industrial sales service customers.

See Sheet Nos. 53 through 56 for Temporary Volumetric Limitations and Curtailment provisions.

BASE RATES

Residential

Customer Charge per billing period @ \$12.35
Delivery Charge per Mcf @ \$1.8715 per Mcf

Commercial or Industrial

Customer Charge per billing period @ \$25.13
Delivery Charge per Mcf -
First 50 or less Mcf per billing period @ \$ 1.8715 per Mcf
Next 350 Mcf per billing period @ \$ 1.8153 per Mcf
Next 600 Mcf per billing period @ \$ 1.7296 per Mcf
Over 1,000 Mcf per billing period @ \$ 1.5802 per Mcf

MINIMUM CHARGE

The minimum charge per billing period shall be the applicable Customer Charge. If the meter reading or calculated consumption for the billing period is greater than zero then the minimum charge shall be increased by the Delivery Charge for a minimum of one Mcf per billing period.

GAS COST ADJUSTMENT

Gas sold under this rate schedule and rates as prescribed herein are subject to a Gas Cost Adjustment as stated on currently effective Sheet Nos. 48 through 51 of this tariff which are hereby incorporated into this rate schedule.

The charges set forth herein, exclusive of those pertaining to the minimum charge, shall be subject to a Gas Cost Adjustment, as shown on Sheet 5 of this tariff.

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DATE OF ISSUE: September 14, 2009

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President

COLUMBIA GAS OF KENTUCKY, INC.

**GENERAL SERVICE (GS) AND GENERAL PROPANE SERVICE (GPS)
RATE SCHEDULES
(Continued)**

ADJUSTMENTS AND RIDERS

Customers served under this Rate Schedule are subject to the currently effective Adjustments and Riders as prescribed on the Tariff Sheets set forth below and incorporated into this Rate Schedule:

- Weather Normalization Adjustment – Sheet 51a
- Energy Assistance Program Surcharge – Sheet No. 51b (Applies to Residential Customers only)
- Rider for Natural Gas Research & Development – Sheet No. 51c
- Energy Efficiency Conservation Clause – Sheets 51d – 51g (Applies to Residential and Commercial Customers only)
- Rider AMRP – Sheet No. 58

LOCAL FRANCHISE FEE OR TAX

The above rates and minimum charge are subject to Local Franchise Fee or Tax as set forth on Sheet No. 52.

LATE PAYMENT PENALTY

Refer to the General Terms, Conditions, Rules and Regulations, Section 25.

OTHER PROVISIONS

Where a Customer has installed a gas light(s) for continuous street or outdoor lighting in lighting devices approved by Company and the gas used by such light(s) is unmetered, the gas consumed by such light(s) shall be assumed to be two thousand (2,000) cubic feet per month when the Btu/hour input rating for such light(s) is 2,700 or less. For each additional 1,350 Btu/hour input or fraction thereof, the assumed consumption shall be increased by one thousand (1,000) cubic feet per month. Such assumed consumption shall be billed under the rates contained herein or, if in combination with metered usage under this rate schedule, shall be added to the Customer's metered usage and the total billed under the rates contained herein.

GENERAL TERMS, CONDITIONS, RULES AND REGULATIONS

Service furnished under this rate schedule is subject to Company's Rules and Regulations and to all applicable rate schedules.

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President

COLUMBIA GAS OF KENTUCKY, INC.

INTERRUPTIBLE SERVICE (IS)

RATE SCHEDULE

(Continued)

CHARACTER OF SERVICE (continued)

provision that the Customer may not concurrently contract with the Company for Delivery Service under Rate DS. The full sales agreement is subject to a minimum contract period of one (1) year as set forth in the General Terms, Conditions, Rules and Regulations, Section 34.

BASE RATES

Customer Charge

\$583.39 per billing period

Delivery Charge per Mcf -

First 30,000 Mcf per billing period

@ \$ 0.5467 per Mcf

Over 30,000 Mcf over billing period

@ \$ 0.2905 per Mcf

MINIMUM CHARGE

The minimum charge each billing period for gas delivered or the right of the Customer to receive same shall be the sum of the Customer Charge of \$583.39, plus the Customer Demand Charge as contracted for under Firm Service, (Daily Firm Volume as specified in the Customer's service agreement multiplied by the demand rate (See Sheet No. 5).

In the event of monthly, seasonal or annual curtailment due to gas supply shortage, the demand charge shall be waived when the volume made available is less than 110% of the Daily Firm Volume multiplied by thirty (30). In no event will the minimum charge be less than the Customer charge.

If the delivery of firm volumes of gas by Company is reduced, due to peak day interruption in the delivery of gas by Company or complete or partial suspension of operations by Customer resulting from force majeure, the Minimum Charge shall be reduced in direct proportion to the ratio which the number of days of curtailed service and complete or partial suspension of Customer's operation bears to the total number of days in the billing period. Provided, however, that in cases of Customer's force majeure, the Minimum Charge shall not be reduced to less than the Customer Charge.

GAS COST ADJUSTMENT

Except as otherwise provided herein, gas sold under this rate schedule and rates as prescribed herein are subject to the Gas Cost Adjustment, including the Commodity and Demand components, as stated on currently effective Sheet Nos. 48 through 51 herein, which are hereby incorporated into this rate schedule.

For a Customer who enters into a full sales agreement under this rate schedule after September 1, 1995, the Gas Cost Adjustment shall consist of the Expected Commodity Cost of Gas, as defined in paragraph 1 (a) of Sheet No. 48 herein, and shall not be adjusted to reflect the supplier Refund Adjustment (RA), the Actual Cost Adjustment (ACA), or the Balancing Adjustment (BA) for a period of one year from the effective date of the Customer's agreement. At the end of that one-year period, any gas purchased by the Customer under that agreement shall be subject to the Commodity Cost of Gas, including all appropriate adjustments, as defined in Sheet Nos. 48 and 49.

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President

COLUMBIA GAS OF KENTUCKY, INC.

**INTERRUPTIBLE SERVICE (IS)
RATE SCHEDULE
(Continued)**

GAS COST ADJUSTMENT (Continued)

Gas Sales purchased under this rate schedule that are within the Customer's specified Daily Firm Volume as contracted for under Firm Service are subject to the Commodity Cost of Gas, including all appropriate adjustments, as stated on currently effective Sheet Nos. 48 through 51 herein.

The charges set forth herein, exclusive of those pertaining to Customer charges, shall be subject to a Gas Cost Adjustment as shown on Sheet No. 5 of this tariff.

ADJUSTMENTS AND RIDERS

Customers served under this Rate Schedule are subject to the currently effective Adjustments and Riders as prescribed on the Tariff Sheets set forth below and incorporated into this Rate Schedule:

Rider for Natural Gas Research & Development – Sheet No. 51c
Rider AMRP – Sheet No. 58

LOCAL FRANCHISE FEE OR TAX

The monthly bill to Customers served under this rate schedule is subject to the Local Franchise Fee or Tax as set forth on Sheet No. 52.

LATE PAYMENT PENALTY

Refer to the General Terms, Conditions, Rules and Regulations, Section 25.

PENALTY CHARGE FOR FAILURE TO INTERRUPT

On any day when Customer has been given timely notice by Company to interrupt, any quantity of gas taken in excess of the quantity specified to be made available on that day shall be subject to a charge of twenty-five dollars (\$25) per Mcf for all volumes taken in excess of one hundred three percent (103%) of the volumes specified to be made available on such day by Company. The penalty charge for failure to interrupt shall be in addition to the charges specified in this rate schedule. Customer shall be liable for any personal injury or damage to the property of Company or third parties which results from Customer's failure to interrupt, and Customer shall indemnify and hold Company harmless with respect to such injuries or damages.

PAYMENT FOR UNAUTHORIZED TAKES

Gas taken on any day in excess of one hundred three percent (103%) of the specified Maximum Daily Volume set forth in the Sales Agreement shall constitute unauthorized takes unless prior approval for additional volumes has been granted by Company. The sum of all such unauthorized takes in a billing month shall be billed at the rate of twenty-five dollars (\$25) per Mcf for gas so taken. Payment for such unauthorized takes shall be in addition to the charges specified in this rate schedule. Customer

DATE OF ISSUE: September 14, 2009

DATE EFFECTIVE: October 27, 2009

Issued by: Herbert A. Miller, Jr.

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COLUMBIA GAS OF KENTUCKY, INC.

**INTRASTATE UTILITY SALES SERVICE (IUS)
RATE SCHEDULE**

APPLICABILITY

Entire service territory of Company. See Sheet No. 8 for a list of communities.

AVAILABILITY OF SERVICE

Available for service to intrastate utilities purchasing gas for resale for consumption solely within the Commonwealth of Kentucky when:

- (1) Company's existing facilities have sufficient capacity and gas supply to provide the quantities of gas requested by said Customer, and
- (2) Customer has executed a Sales Agreement with Company specifying, among other things, a Maximum Daily Volume.

CHARACTER OF SERVICE

Gas delivered by Company to Customer under this rate schedule shall be firm and shall not be subject to curtailment or interruption, except as provided in Section 32 of the General Terms, Conditions, Rules and Regulations.

BASE RATE

Customer Charge per billing period	\$331.50
Delivery Charge per Mcf –	
For all gas delivered each billing period	\$0.7750 per Mcf.

MINIMUM CHARGE

The minimum charge shall be the Customer Charge.

GAS COST ADJUSTMENT

Gas sold under this rate schedule and rates as prescribed herein are subject to a Gas Cost Adjustment as stated on currently effective Sheet Nos. 48 through 51, which are hereby incorporated into this rate schedule.

The charges set forth herein, exclusive of those pertaining to the Customer Charge, shall be subject to a Gas Cost Adjustment as shown on Sheet No. 5 of this tariff.

ADJUSTMENTS AND RIDERS

Customers served under this Rate Schedule are subject to the currently effective Adjustments and Riders as prescribed on the Tariff Sheets set forth below and incorporated into this Rate Schedule:

- Rider for Natural Gas Research & Development – Sheet No. 51c
- Rider AMRP – Sheet No. 58

DATE OF ISSUE: September 14, 2009

DATE EFFECTIVE: October 27, 2009

Issued by: Herbert A. Miller, Jr.

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COLUMBIA GAS OF KENTUCKY, INC.

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

CHARACTER OF SERVICE

Service provided under this schedule shall be considered firm service.

DELIVERY CHARGE

The Delivery Charge shall be the Base Rate Charges for the applicable Rate Schedule as set forth below:

General Service Residential

Customer Charge per billing period	\$ 12.35
Delivery Charge	\$1.8715 per Mcf

General Service Other – Commercial or Industrial

Customer Charge per billing period	\$25.13
First 50 Mcf or less per billing period	\$1.8715 per Mcf
Next 350 Mcf per billing period	\$1.8153 per Mcf
Next 600 Mcf per billing period	\$1.7296 per Mcf
Over 1,000 Mcf per billing period	\$1.5802 per Mcf

Intrastate Utility Service

Customer Charge per billing period	\$331.50
Delivery Charge per Mcf	\$0.7750

ADJUSTMENTS AND RIDERS

Customers served under this Rate Schedule are subject to the currently effective Adjustments and Riders as prescribed on the Tariff Sheets set forth below and incorporated into this Rate Schedule:

Weather Normalization Adjustment – Sheet 51a
Energy Assistance Program Surcharge – Sheet No. 51b (Applies to Residential Customers only)
Rider for Natural Gas Research & Development – Sheet No. 51c
Energy Efficiency Conservation Clause – Sheets 51d – 51g (Applies to Residential and Commercial Customers only)
Rider AMRP – Sheet No. 58

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DATE OF ISSUE: September 14, 2009

DATE EFFECTIVE: October 27, 2009

ISSUED BY: Herbert A. Miller, Jr.

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COLUMBIA GAS OF KENTUCKY, INC.

**DELIVERY SERVICE (DS)
 TRANSPORTATION SERVICE RATE SCHEDULE**

APPLICABILITY

Entire service territory of Company. See Sheet No. 8 for a list of communities.

AVAILABILITY

This rate schedule is available to any Customer throughout the territory served by Company provided:

- (1) Customer has executed a Delivery Service Agreement with Company, and
- (2) Customer has normal annual requirements of not less than 25,000 Mcf at any delivery point, and
- (3) Company will not be required to deliver on any day more than the lesser of (i) a quantity of gas equivalent to Customer's Maximum Daily Volume specified in its Delivery Service Agreement; (ii) the quantity of gas scheduled and confirmed to be delivered into the Company's distribution facilities on behalf of the Customer on that day plus applicable Standby Sales; or (iii) the Customer's Authorized Daily Volume, and
- (4) On an annual basis, a Customer's Maximum Daily Volume and Annual Transportation Volume will be automatically adjusted to the Customer's actual Maximum Daily Volume and actual Annual Transportation Volume based on the Customer's highest daily and annual volumetric consumption experienced during the preceding 12-month periods ending with March billings. Upon a Customer's request, the Company shall have the discretion to further adjust a Customer's Maximum Daily Volume and Annual Transportation Volume for good cause shown.

Customers Grandfathered ("GDS") This rate schedule is also available to customers with normal annual requirements of less than 25,000 Mcf but not less than 6,000 Mcf, at any delivery point taking service under a contract with Company for delivery service executed prior to April 1, 1999.

Intrastate Utility ("IUDS") This rate schedule is also available to intrastate utilities for transportation and consumption solely within the Commonwealth of Kentucky.

BASE RATE

Administrative Charge per account per billing period	\$55.90
Customer Charge per billing period	\$583.39
Customer Charge per billing period (GDS only)	\$25.13
Customer Charge per billing period (IUDS only)	\$331.50
Delivery Charge per Mcf -	
First 30,000 Mcf	\$0.5467 per Mcf for all gas delivered each billing month.
Over 30,000 Mcf	\$0.2905 per Mcf for all gas delivered each billing month.
Grandfathered Delivery Service	
First 50 Mcf per billing period	\$1.8715
Next 350 Mcf per billing period	\$1.8153
Next 600 Mcf per billing period	\$1.7296
All Over 1,000 Mcf per billing period	\$1.5802
Intrastate Utility Delivery Service	
All volumes per billing period	\$0.7750
Banking and Balancing Service	
Rate per Mcf	\$0.0208

DATE OF ISSUE: September 14, 2009

DATE EFFECTIVE: October 27, 2009

Issued by: Herbert A. Miller, Jr.

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COLUMBIA GAS OF KENTUCKY, INC.

**DELIVERY SERVICE (DS)
RATE SCHEDULE
(Continued)**

ADJUSTMENTS AND RIDERS

Customers served under this Rate Schedule are subject to the currently effective Adjustments and Riders as prescribed on the Tariff Sheets set forth below and incorporated into this Rate Schedule:

Weather Normalization Adjustment – Sheet No. 51a- Applicable to GDS Customers Only
Rider for Natural Gas Research & Development –Sheet No. 51c
Rider AMRP – Sheet No. 58

LATE PAYMENT PENALTY

Late payment penalties shall apply to service under this rate schedule as provided in the General Terms, Conditions, Rules and Regulations, Section 25.

BANKING AND BALANCING SERVICE

The rate for the Banking and Balancing Service is set forth on Sheet Nos. 6. This rate represents the current storage cost to the Company to provide a 'bank tolerance' to the Customer of five percent (5%) of the Customer's Annual Transportation Volume. The calculation of the Banking and Balancing Service rate is set forth in the Company's Gas Cost Adjustment.

The Banking and Balancing Service rate is subject to flexing as provided in the Flex Provision of this rate schedule. Refer to Sheet 91, Banking and Balancing Service, for the terms and conditions.

NOMINATION AND SCHEDULING OF TRANSPORTATION DELIVERIES

All transportation deliveries must be nominated and scheduled daily through the Company's internet based nomination system. Any customer that transports gas under this schedule may elect to have its marketer or agent make the required nominations, or the customer may elect to make daily nominations of Delivery Service gas.

FLEX PROVISION

When a Customer with normal volume requirements of 25,000 Mcf annually can demonstrate to Company that a lower rate is necessary to meet competition from that Customer's alternate energy supplier, Company may transport gas at a rate lower than the Base Rate and/or flex other terms and conditions associate with this rate schedule. Company may also, after receiving prior approval from the Commission, transport gas at a rate lower than the Base Rate where Customer has demonstrated that its only alternative would be a shutdown or relocation of facilities, or that the lower rate is necessary to expand facilities.

If any of these Flex Provisions apply to it, a Customer may at any time request that the transportation Base Rate be flexed. However, once the transportation Base Rate for a Customer is flexed, Customer must continue to pay the flex rate determined by Company each month and may not opt to revert to the Base Rate, except by the following procedure. Any Customer wishing to return to the Base Rate can do so by written notification to Company. Upon notification, Customer will revert to the Base Rate three months subsequent to the first day of the billing month which follows the date of the notification. Each such notification received by Company will cancel any previous such notification received by Company from the same Customer.

DATE OF ISSUE: September 14, 2009

DATE EFFECTIVE: October 27, 2009

Issued by: Herbert A. Miller, Jr.

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COLUMBIA GAS OF KENTUCKY, INC.

**MAIN LINE DELIVERY SERVICE (MLDS)
RATE SCHEDULE**

APPLICABILITY

Entire service territory of Company. See Sheet No. 8 for a list of communities.

AVAILABILITY

This rate schedule is available to any Customer throughout the territory served by Company provided:

- (1) Customer has executed a Delivery Service Agreement with Company, and
- (2) Customer has normal annual requirements of not less than 25,000 Mcf at any delivery point, and
- (3) Customer is connected directly through a dual-purpose meter to facilities of an interstate pipeline supplier of Company, and
- (4) Company will not be required to deliver on any day more than the lesser of: (i) a quantity of gas equivalent to Customer's Maximum Daily Volume specified in its Delivery Service Agreement; (ii) the quantity of gas scheduled and confirmed to be delivered into the Company's distribution facilities on behalf of the Customer on that day plus applicable Standby Sales; or (iii) the Customer's Authorized Daily Volume, and
- (5) On an annual basis, a Customer's Maximum Daily Volume and Annual Transportation Volume will be automatically adjusted to the Customer's actual Maximum Daily Volume and actual Annual Transportation Volume based on the Customer's highest daily and annual volumetric consumption experienced during the preceding 12-month periods ending with March billings. Upon a Customer's request, the Company shall have the discretion to further adjust a Customer's Maximum Daily Volume and Annual Transportation Volume for good cause shown.

RATE

The transportation rate shall be \$0.0858 per Mcf for all gas delivered each month.

ADMINISTRATIVE CHARGE

The monthly administrative charge shall be \$55.90 per account each billing period.

CUSTOMER CHARGE

The customer charge shall be \$200 per account each billing period.

BANKING AND BALANCING SERVICE

The rate for the Banking and Balancing Service is set forth on Sheet No. 6. This rate represents the current storage cost to the Company to provide a 'bank tolerance' to the Customer of five percent (5%) of the Customer's Annual Transportation Volume. The calculation of the Banking and Balancing Service rate is set forth in the Company's Gas Cost Adjustment.

The Banking and Balancing Service rate is subject to flexing as provided in the Flex Provision of this rate schedule. Refer to Sheet No. 91, Banking and Balancing Service, for the terms and conditions of the Balancing and Banking Service.

ADJUSTMENTS AND RIDERS

Customers served under this Rate Schedule are subject to the currently effective Adjustments and Riders as prescribed on the Tariff Sheets set forth below and incorporated into this Rate Schedule:

Rider for Natural Gas Research & Development—Sheet No. 51c

NOMINATION AND SCHEDULING OF TRANSPORTATION DELIVERIES

All transportation deliveries must be nominated and scheduled through the Company's internet based nomination system. Any customer that transports gas under this schedule may elect to have its marketer or agent make the required nominations, or the customer may elect to connect to make daily nominations of Delivery Service gas.

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DATE OF ISSUE: September 14, 2009

DATE EFFECTIVE: October 27, 2009

Issued by: Herbert A. Miller, Jr.

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COLUMBIA GAS OF KENTUCKY, INC.

**GAS COST ADJUSTMENT CLAUSE
APPLICABLE TO ALL RATE SCHEDULES**

GAS COST ADJUSTMENT CLAUSE

Determination of GCA

Company shall file a quarterly report with the Commission which shall contain an updated Gas Cost Adjustment (GCA) Rate and shall be filed at least thirty (30) days prior to the beginning of each quarterly calendar period. The GCA shall become effective for billing with the final meter readings of the first billing cycle of each quarterly calendar period.

The gas cost adjustment is comprised of:

- (1) The Expected Gas Cost Component (EGC), on a dollar-per-Mcf basis, is made up of two components: (a) Expected Commodity Gas Cost which applies to Rate Schedules GS, IS, and IUS, and represents the average expected commodity cost of gas supplied, and (b) Expected Demand Gas Cost which applies to Rate Schedules GS, IUS and SVAS, and represents the average expected demand cost of gas supplied, excluding the Standby Service demand costs to be recovered from IS Customers and General Service Delivery Service Customers. The Commodity Gas Cost component of the EGC includes the gains and losses resulting from the settlement of gas futures contracts entered into pursuant to the Company's Commission approved hedging plan and all transaction fees and other brokerage fees or costs associated with the use of those gas futures contracts.
- (2) The supplier Refund Adjustment (RA), on a dollar-per-Mcf basis, which reflects refunds received during the reporting period plus interest at a rate equal to the average of the "three month commercial paper rate" for the immediately preceding twelve month period. In the event of any large or unusual refunds, Company may apply to the Commission for the right to depart from the refund procedure herein set forth.
- (3) The Actual Cost Adjustment (ACA), on a dollar-per-Mcf basis, which compensates for any previous over or undercollections of gas costs, except Gas Cost Uncollectibles, experienced by the company through the operation of this gas cost recovery procedure. The ACA shall be based on the twelve months ended June 30th each year, with the ACA factor to be in effect for twelve months beginning September 1st of each year.
- (4) The Balancing Adjustment (BA), on a dollar-per-Mcf basis, which compensates for any under or overcollections which have occurred as a result of prior adjustments, except Gas Cost Uncollectibles.
- (5) The Gas Cost Incentive Adjustment (GCIA), on a dollar-per-Mcf basis, which is calculated annually based on the prior April through October period, with the GCIA factor to be in effect for twelve months beginning March 1st each year.
- (6) The Off-System Sales and Capacity Release Adjustment (OSCRA), on a dollar-per-Mcf basis, which is calculated annually based on the twelve months ended September 30th of each year, with the OSCRA factor to be in effect for twelve months beginning December 1st of each year.

NOTE: All adjustments will be assigned to the Expected Demand Gas Cost or Expected Commodity Gas Cost components.

DATE OF ISSUE: September 14, 2009

DATE EFFECTIVE: October 27, 2009

ISSUED BY: Herbert A. Miller, Jr.

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**GAS COST ADJUSTMENT CLAUSE
APPLICABLE TO ALL RATE SCHEDULES
(Continued)**

GAS COST ADJUSTMENT CLAUSE - (Continued)

(7) The Gas Cost Uncollectible Rate (GCUR) on a dollar-per-Mcf basis, which is calculated by multiplying the Expected Commodity Gas Cost times the uncollectible accrual rate used to establish rates in Columbia's most recent rate case.

Billing

The Gas Cost Adjustment (GCA) shall be the sum of the following components:

$$GCA = EGC + RA + ACA + BA + GCIA + OSCRA + GCUR$$

The GCA will be added to (or subtracted from) the tariff rates prescribed by the Commission Order on Company's latest rate case and will be included in the tariff rates stated on each applicable rate sheet in this tariff.

Definitions

For the purpose of this tariff:

- (a) "Average expected cost" is the cost of gas supplies purchased during the latest available twelve month period, including associated transportation charges, storage charges and Take-or-Pay charges, which is determined by the application of suppliers' rates currently in effect, or reasonably expected to be in effect during the quarterly calendar period, less banking and balancing charges, and less the demand costs to be recovered from IS and General Service Delivery Service Customers, divided by the sales volumes for the latest available twelve month period. Where the calculations require the use of volumes used during a given period, and those volumes did not exist for a particular source for the entire period, or Company expects the volumes to change substantially, Company may make appropriate adjustments in its calculations. Any adjustments of this type shall be described in the Quarterly Gas Cost Adjustment report.
- (b) "quarterly calendar period" means each of the four three month periods of (1) September through November, (2) December through February, (3) March through May, and (4) June through August.
- (c) "Reporting period" means the three month accounting period that ended approximately thirty (30) days prior to the filing date of the updated gas recovery rates, i.e. the three months ended June 30th, September 30th, December 31st, and March 31st each year.

Hedging Plan

In accordance with the Company's hedging plan approved by the Commission, the Company will utilize gas futures and/or fixed price gas contracts for the purpose of hedging the price of its gas purchases within the parameters established in the hedging plan. By June 1 of each year, the Company shall file a report with the Commission that details said hedging activity during the twelve month period ended March 31. The report will include details of hedge positions taken for future months.

DATE OF ISSUE: September 14, 2009

DATE EFFECTIVE: October 27, 2009

ISSUED BY: Herbert A. Miller, Jr.

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COLUMBIA GAS OF KENTUCKY, INC.

**WEATHER NORMALIZATION ADJUSTMENT CLAUSE
APPLICABLE TO GS, SVGTS, GDS AND GPS RATE SCHEDULES**

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WEATHER NORMALIZATION ADJUSTMENT (WNA)

The sales to Residential and Commercial Customers under Rate Schedules GS, SVGTS, GDS and GPS shall be increased or decreased monthly by an amount hereinafter described as the Weather Normalization Adjustment (WNA).

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Determination of WNA

Weather normalized volumes shall be utilized during the December through April billing months to calculate the non-gas portion of the bills of all heating Customers served under Rate Schedules GS, SVGTS, GDS and GPS. During the remainder of the year May through November, the monthly bills shall be computed based on actual consumption.

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Weather Normalization Adjustment will be calculated using the following formula:

$$\text{WNA} = [(\text{Actual Mcf} - \text{Base Load Mcf}) * (\text{Normal Degree Days} / \text{Actual Degree Days})]$$

Each customer's base load will be determined individually, and will be recomputed annually. Rates used in the computation of the WNA shall be determined based on the applicable base rate charge as set forth on Sheet No. 5 of this tariff.

DATE OF ISSUE: September 14, 2009

DATE EFFECTIVE: October 27, 2009

Issued by: Herbert A. Miller, Jr.

President

COLUMBIA GAS OF KENTUCKY, INC.

P.S.C. Ky. No. 5

**ENERGY EFFICIENCY AND CONSERVATION RIDER
ENERGY EFFICIENCY/CONSERVATION PROGRAM COST RECOVERY**

APPLICABILITY

Applicable to residential and commercial customers under the GS and SVGTS rate schedules.

PURPOSE

The Energy Efficiency/Conservation Program is a demand-side management (DSM) program established to promote conservation and the efficient use of natural gas by Company's residential and commercial customers.

The Energy Efficiency/Conservation Program Recovery Component (EECPRC) shall be updated annually and applied to applicable customer's bills becoming effective with meter readings beginning with Company's February Unit 1 bills.

DETERMINATION OF EECPRC

The Company shall file an annual report with the Commission which shall contain updated EECPRC rates at least thirty (30) days prior to the effective date of the new rates. The annual amount computed under the Energy Efficiency/Conservation Program Cost Recovery Component shall be collected based on the EECPRC amount divided by the expected number of customers for the upcoming program year. The EECPRC is calculated using the following formula:

$$\text{EECPRC} = \text{EECPCR} + \text{EECPLS} + \text{EECPI} + \text{EECPBA}$$

Whereby:

EECPCR = ENERGY EFFICIENCY/CONSERVATION PROGRAM COST RECOVERY

The EECPCR shall include all expected costs of DSM measures which have been approved by the Commission for each twelve month period for Energy Efficiency/Conservation programs of the Company "approved programs". Such program costs shall include the cost of planning, developing, implementing, monitoring, and evaluating EECPRC programs. In addition, all costs incurred including, but not limited to, costs for consultants, employees and administrative expenses, will be recovered through the EECPCR.

EECPLS = EECPRC REVENUE FROM LOST SALES

Revenues from lost sales due to EECPRC programs implemented on and after the effective date of this tariff will be recovered as follows:

DATE OF ISSUE: September 14, 2009

DATE EFFECTIVE: October 27, 2009

Issued by: Herbert A. Miller, Jr.

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**ENERGY EFFICIENCY AND CONSERVATION RIDER
ENERGY EFFICIENCY/CONSERVATION PROGRAM COST RECOVERY
(Continued)**

EECPLS = EECR REVENUE FROM LOST SALES (continued)

The estimated reduction in customer usage (in Mcf) as a result of the approved programs shall be multiplied by the delivery charge per Mcf for purposes of determining the lost revenue to be recovered hereunder.

The aggregate lost revenues attributable to the program participant shall be divided by the estimated number of customers for the upcoming twelve-month period to determine the applicable EECPLS surcharge.

Recovery of revenues from lost sales calculated for a twelve-month period shall be included in the EECPLS as long as a volumetric delivery charges until the next general rate case of the company.

Revenues collected hereunder are based on engineering estimates of energy savings, actual program participation and estimated number of customers for the upcoming twelve-month period. At the end of each such period, any difference between the lost revenues actually collected hereunder and the lost revenues determined after any revisions of the engineering estimates, actual program participation and numbers of customers are accounted for shall be reconciled in future billings under the EECR Balance Adjustment (EECRBA) component.

EECRI = EECR INCENTIVE

For all Energy Efficiency/Conservation Programs, the EECR incentive amount shall be computed by multiplying the net resource savings estimated from the approved programs times fifteen (15) percent. Net resource savings are defined as program benefits less utility program costs and participant costs where program benefits will be calculated on the basis of the present value of Company's avoided commodity costs over the expected life of the program.

The EECR incentive amount shall be divided by the expected number of customers for the upcoming twelve-month period to determine the EECRI. EECR incentive amounts will be assigned for recovery purposes to the rate classes whose programs created the incentive.

EECRBA = EECR BALANCE ADJUSTMENT

The EECRBA shall be calculated on a twelve-month basis and is used to reconcile the difference between the amount or revenues actually billed through the EECPCR, EECPLS, EECRI and previous application of the EECRBA and the revenues which should have been billed.

The program has an October year-end with rates to be effective with meter readings beginning on and after Company's February Unit 1 billing cycle.

DATE OF ISSUE: September 14, 2009

DATE EFFECTIVE: October 27, 2009

Issued by: Herbert A. Miller, Jr.

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**ENERGY EFFICIENCY AND CONSERVATION RIDER
ENERGY EFFICIENCY/CONSERVATION PROGRAM COST RECOVERY
(Continued)**

EECPBA = EECPC BALANCE ADJUSTMENT (continued)

The EECPCBA is the sum of the following components:

- The difference between the amount billed in a twelve-month period from the application of the EECPCR component and the actual cost of the approved programs during the same twelve-month period.
- The difference between the amount billed during the twelve-month period from the application of the EECPLS component and the amount of lost revenue determined for the actual DSM measures implemented during the twelve-month period.
- The difference between the amount billed during the twelve-month period from the application of the EECPI component and the incentive amount determined for the actual DSM measures implemented during the twelve-month period.
- Interest to be calculated at a rate equal to the average of the "3-month Commercial Paper Rate" for the immediately preceding 12-month period.

The balance adjustment amounts, plus interest, shall be divided by the expected number of customers for the upcoming twelve-month period to determine the EECPCBA for each rate class.

MODIFICATIONS TO EECPCR

The filing of modifications to the EECPCR which require changes in the EECPCR component shall be made at least two months prior to the beginning of the effective period for billing. Modifications to other components of the EECPCR shall be made at least thirty days prior to the effective period for billing. Each filing shall include the following information as applicable:

- (1) A detailed description of each EECPC program, the total cost of each program over the previous twelve-month period and budgeted costs for the next program year, an analysis of expected resource savings, information concerning the specific EECPC measures to be installed, and any applicable studies which have been performed, as available.
- (2) A statement setting forth the detailed calculation of the EECPCR, EECPLS, EECPI, EECPCBA and EECPCR.

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DATE OF ISSUE: September 14, 2009

DATE EFFECTIVE: October 27, 2009

Issued by: Herbert A. Miller, Jr.

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**ENERGY EFFICIENCY AND CONSERVATION RIDER
ENERGY EFFICIENCY/CONSERVATION PROGRAM COST RECOVERY
(Continued)**

MODIFICATIONS TO EECPRC (continued)

Each change in the EECPRC shall be placed into effect with meter readings on and after the effective date of such change.

Adjustment Factors: Per Meter per Billing Period**Residential:**

EECPCR	\$0.61
EECPLS	\$0.03
EECPI	\$0.12
EECPBA	<u>\$0.00</u>
Total EECPRC for Residential Customers	\$0.76

Commercial:

EECPCR	\$0.00
EECPLS	\$0.00
EECPI	\$0.00
EECPBA	<u>\$0.00</u>
Total EECPRC for Commercial Customers	\$0.00

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DATE OF ISSUE: September 14, 2009

DATE EFFECTIVE: October 27, 2009

Issued by: Herbert A. Miller, Jr.

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COLUMBIA GAS OF KENTUCKY, INC.

**RIDER AMRP
ACCELERATED MAIN REPLACEMENT PROGRAM RIDER**

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APPLICABILITY

Applicable to all customers receiving service under the Company's Rate Schedules GS, IS, IUS, SVGTS, DS and SAS.

CALCULATION OF ACCELERATED MAIN REPLACEMENT RIDER REVENUE REQUIREMENT

The AMRP Rider Revenue Requirement includes the following:

- a. AMRP-related Plant In-Service not included in base gas rates minus the associated AMRP-related accumulated depreciation and accumulated deferred income taxes;
- b. Retirement and removal of plant related to AMRP construction;
- c. The rate of return on the net rate base is the overall rate of return on capital authorized in the Company's latest base gas rate case, grossed up for federal and state income taxes;
- d. Depreciation expense on the AMRP = related Plant In-Service less retirement and removals; and;
- e. Reduction for savings in Account No. 887 -- Maintenance of Mains.

ACCELERATED MAIN REPLACEMENT PROGRAM FACTORS

All customers receiving service under Rate Schedules GSR, GSO, IS, IUS, SVGTS, DS, GDS and SAS shall be assessed a monthly charge in addition to the Customer Charge component of their applicable rate schedule that will enable the Company to complete the accelerated main replacement program. Customers receiving service under Rate Schedules DS and SAS will be assessed a throughput charge in addition to their commodity delivery charge for the purpose of the accelerated main replacement program.

Rider AMRP will be updated annually, in order to reflect the impact on the Company's revenue requirements of net plant additions as offset by operations and maintenance expense reductions during the most recent twelve months ended December. Such adjustment to the Rider will become effective with meter readings on and after the first billing cycle of June, and will reflect the allocation of the required revenue increase based on the revenue distribution approved by the Commission.

The charges for the respective gas service schedules for the revenue month beginning June 2010 per billing period are:

Rate GSR, Rate SVGTS - Residential Service	\$0.00
Rate GSO, Rate GDS, Rate SVGTS - Commercial or Industrial Service	\$0.00
Rate IUS, Rate IUDS	\$0.00
Rate IS, Rate DS ^{1/} , Rate SAS	\$0.00

^{1/} - Excluding customers subject to Flex Provisions of Rate Schedule DS

DATE OF ISSUE: September 14, 2009

DATE EFFECTIVE: October 27, 2009

Issued by: Herbert A. Miller, Jr.

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COLUMBIA GAS OF KENTUCKY, INC.

**GENERAL TERMS, CONDITIONS, RULES AND REGULATIONS
(Continued)**

17. METER TESTING AND MEASUREMENT OF NATURAL GAS - (Continued)

Failure of Measuring Equipment. - (Continued)

- (b) By correcting the error if the percentage of error is ascertainable by calibration, special test or mathematical calculation, or, in the absence of both (a) and (b), then:
- (c) By estimating the quantity of delivery based on deliveries during periods under similar conditions when the meter was registering accurately.

The estimated readings shall be used in determining the volume of gas delivered for any known or agreed-upon applicable period. In case the period is not known or agreed-upon, such estimated deliveries shall be used in determining the volume of gas delivered during the latter half of the period beginning on the date of the immediately preceding test and ending on the date the measuring equipment was adjusted to record accurately; the recordings of the measuring equipment during the first half of said period shall be considered accurate in computing deliveries.

Preservation of Records. The complete record of tests of each meter shall be continuous for at least two (2) periodic test periods and shall in no case be less than two (2) years.

Remote Meter Reading Devices. Remote meter reading devices are available for installation in those instances where it is difficult to obtain a reading of the Customer's meter. The customer will be billed for the installation of a remote meter device at a rate of \$40.00 per device. This amount may be waived at Company's discretion.

Standard Delivery Pressure

Company, in accordance with 807 KAR 5:022, Section 13(14): Standard Pressure adopts seven (7) inches water column as its standard pressure as measured at the outlet of Customer's meter.

When conditions warrant, and Customer and Company mutually agree, certain Customers may receive gas at pressures higher than the standard pressure. In these cases either indices compensated for the delivery pressure or pressure factors corresponding to delivery pressure will be used to adjust volumes of gas billed.

The above paragraphs notwithstanding Company shall assume no liability from any damage or loss resulting from inadequate or interrupted supply or from any pressure variation when such conditions are not due to willful fault or neglect on its part.

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DATE OF ISSUE: September 14, 2009

DATE OF EFFECTIVE: October 27, 2009

Issued by: Herbert A. Miller, Jr.

- President

COLUMBIA GAS OF KENTUCKY, INC.

**GENERAL TERMS, CONDITIONS, RULES AND REGULATIONS
(Continued)**

20. FORCE MAJEURE

Neither Company nor Customer shall be liable in damages to the other for any act, omission or circumstance occasioned by or in consequence of any acts of God, strikes, lockouts affecting the company or its suppliers of gas, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and peoples, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, the binding order of any court or governmental authority which has been resisted in good faith by all reasonable legal means, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension.

Such causes or contingencies affecting the performance hereunder by either Company or Customer, 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 either party from its obligations to make payments of amounts then due hereunder in respect of gas theretofore delivered.

21. RECONNECTION OF SERVICE

If service is discontinued at the request of any Customer, Company may refuse service to such Customer, at the same premises within eight (8) months, unless it shall first receive payment of ninety nine dollars (\$99, current minimum charge of \$12.35 times 8 months – rounded) for residential customers reconnect fee and two-hundred one dollars and four cents (\$201, current customer charge of \$25.13 times 8 months- rounded) for commercial customers reconnect fee.

Company will charge a reconnect fee of twenty-five dollars (\$25) when service has been disconnected for nonpayment of bills or for violation of Company's Rules and Regulations and Customer has qualified for and requested the service to be reconnected. Customers exempt from the reconnect fee must qualify under the Commission's Winter Hardship Reconnection Rules, as stated:

- A. During the months from November through March, Customer or Customer's agent:
- (1) Presents a certificate of need from the Cabinet for Human Resources, State Department for Social Insurance, including a certification that a referral for weatherization services has been made in accordance with subsection (C) of this section;
 - (2) Pays one-third (1/3) of the outstanding bill or \$200, whichever is less; and

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COLUMBIA GAS OF KENTUCKY, INC.

**GENERAL TERMS, CONDITIONS, RULES AND REGULATIONS
(Continued)**

25. LATE PAYMENT PENALTY

A Late Payment Penalty of five percent (5%) may be assessed, only once on any bill for rendered services, if Customer fails to pay bill by the due date shown on Customer's bill. Any payment received will first be applied to the bill for service rendered. Additional penalty charges shall not be assessed on unpaid penalty charges.

If prior to the due date of payment, Customer in good faith disputes the bill in part or total, and pays to Company such amounts as it concedes to be correct, and at any time thereafter within ten (10) days of a demand made by Company, furnishes a surety bond in an amount and with surety satisfaction to Company, guaranteeing payment to Company of the amount ultimately found due upon such bills after a final determination which may be reached either by agreement or judgment of the courts, as may be the case, then Company shall not be entitled to suspend further delivery of gas unless and until default be made in the conditions of such bond.

Columbia's residential customers who have entered into payment plans will not be charged a late payment charge on arrearages so long as such customers remain current on their payments under the terms of the agreed upon payment plan. Columbia customers enrolled in utility bill assistance programs (including those customers who have been issued a Certificate of Need) shall not be charged a late payment charge.

26. RETURNED CHECK FEE

If Customer's check tendered in payment of a bill for service is returned by a bank as unpaid, Customer will be charged a fee of fifteen dollars (\$15.00) to cover the cost of further processing of the account.

27. BILL ADJUSTMENT AND MONITORING OF CUSTOMER USAGE

Bill Adjustment. If upon periodic test, request test, or complaint test a meter in service is found to be more than two (2) percent fast, additional tests shall be made to determine the average error of the meter. Said tests shall be made in accordance with commission regulations applicable to the type of meter involved.

If test results on Customer's meter show an average error greater than two (2) percent fast or slow, or if Customer has been incorrectly billed for any other reason, except in an instance where Company has filed a verified complaint with the appropriate law enforcement agency alleging fraud of theft by Customer, Company shall immediately determine the period during which the error has existed, and shall recompute and adjust Customer's bill to either provide a refund to Customer or collect an additional amount of revenue from the underbilled Customer. Company shall readjust the account based upon the period during which the error is known to have existed. If the period during which the error existed cannot be determined with reasonable precision, the time period shall be estimated using such data as elapsed time since the last meter test, if applicable, and historical usage data for Customer. If that data is not available, the average usage of similar customer loads shall be used for comparison purposes in calculating the time period. If Customer and Company are unable to agree on an estimate of the time period during which the error existed, Commission shall determine the issue. In all instances of Customer overbilling, Customer's account shall be credited or the overbilled amount refunded at the

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COLUMBIA GAS OF KENTUCKY, INC.

**GENERAL TERMS, CONDITIONS, RULES AND REGULATIONS
(Continued)**

27. BILL ADJUSTMENT AND MONITORING OF CUSTOMER USAGE - (Continued)

discretion of Customer within thirty (30) days after final meter test results. Company shall not require Customer repayment of any underbilling to be made over a period shorter than a period coextensive with the underbilling.

Monitoring Usage. Company shall monitor Customers' usage at least annually. The procedures shall be designed to draw Company's attention to unusual deviations in Customer's usage and shall provide for reasonable means by which Company can determine the reasons for the unusual deviation. If Customer's usage is unduly high and the deviation is not otherwise explained, Company shall test Customer's meter to determine whether the meter shows an average error greater than two (2) percent fast or slow.

If Company's procedure for monitoring usage indicates that an investigation of Customer's usage is necessary, Company shall notify Customer in writing either during or immediately after the investigation of the reasons for the investigation, and of the findings of the investigation. If knowledge of a serious situation requires more expeditious notice, Company shall notify Customer by the most expedient means available.

Customer Notification. If a meter is tested and it is found necessary to make a refund or back bill Customer, Customer shall be notified in compliance with 807 KAR 5:006, Section 10 (5).

Customer accounts shall be considered to be current while a dispute is pending pursuant to this section, as long as Customer continues to make payments for the disputed period in accordance with historic usage, or if that data is not available, the average usage of similar customer loads, and stays current on subsequent bills.

28. BUDGET PLAN

The Company has a budget payment plan available to **Residential and Small Commercial Customers**

Monthly budgeted amounts shall be determined by the Company based on an amount equivalent to 1/12 of Customer's estimated annual gas utility bill.

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COLUMBIA GAS OF KENTUCKY, INC.

GENERAL TERMS, CONDITIONS, RULES AND REGULATIONS

(Continued)

28. **BUDGET PLAN** - (Continued)

Twelve Month Equal Payment Plan - (Continued)

The monthly budgeted amount shall not be construed by Customer as a guaranty of assurance that the total actual charges will not exceed such estimate. Company may, at any time, submit a revised budgeted amount to Customer whenever, in Company's judgment, such revision is deemed advisable during the Company's budget year. (Budgets will be reviewed and recalculated at least twice a year.)

The billing, under this budget plan of payment, is for the convenience of Customer. A Customer may enroll in the plan at any time during the Company's budget year. A Customer applying for the Plan for the first year will be accepted in any month and their payment will be determined by dividing their estimated bill for the remainder of the budget period by the number of months remaining in that budget period. New customers may be automatically enrolled in the budget plan unless they decline to participate. If any existing arrearage is present at the time of application, the first month's budgeted amount shall be paid at the time the Customer's request to participate is granted.

This budget plan will be canceled and the total account balance shall become due, or in the event of a credit balance, such balance shall be refunded, under the following circumstances:

Discontinuance of service at Customer's request;

Discontinuance of this budget plan at the Customer's request; or

If Customer fails to pay bills as rendered under the budget payment plan, Company reserves the right to revoke the plan, restore Customer to regular billing and require immediate payment of any deficiency.

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DATE OF ISSUE: September 14, 2009

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President

First Revised Sheet No. 77
Superseding
Original Sheet No. 77
P.S.C. Ky. No. 5

COLUMBIA GAS OF KENTUCKY, INC.

CANCELLED AND HELD FOR FUTURE USE.

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COLUMBIA GAS OF KENTUCKY, INC.

GENERAL TERMS, CONDITIONS, RULES AND REGULATIONS

(Continued)

33. CUSTOMER BILL FORMAT AND CONTENT



16 How to Contact Us
 1-800-422-8816
 For Direct Line Service 24 hours a day
 For Billing Questions
 Call 8 a.m. - 5 p.m. Mon - Fri before due date
 For questions regarding
 call 11 a.m. - 3 p.m. Tues - Fri
 1-800-422-8816
 For gas leaks or repair of gas appliances
 Please report either the morning
 711
 For health-related safety
 www.columbiagas.com
 Check our Direct Line website for account information,
 online billing and payment services. General assistance,
 24 hours a day.

Billing Options

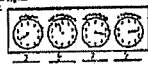
Excess of Payment Plans. Special payment
 arrangements and energy assistance are
 available, if eligible.

Payment Options

Online. Pay bills by electronic check via our Web site.
 Check/Free E-bill service and pay bills online
 through CheckFree. Learn at our Web site.
 ZipCheck. Automate your bill to pay your bill
 automatically each month. Contact us.
 NCO Easy Pay. Call 1-800-244-8877 or visit from our
 Web site to pay by credit/debit card, or e-check.
 A convenience fee will apply.
 Automated Payment Debits. Call or visit our
 online to find a payment center near you. Approx
 charge a fee for each debit.
 Mail. Receive coupons below with payment to:
 Columbia Gas of Kentucky
 P.O. Box 2200
 Lexington, KY 40501-2200

4 Gas Meter Information

Actual Reading. A customer who has read the
 meter's face is required to provide an accurate
 reading of the meter at the time of the meter
 read. Please contact us to make arrangements if
 a meter is needed.
Estimated Reading. During the months we don't
 read the meter, we estimate the meter's reading
 based on the history of usage. After
 service address and meter replacement for the
 billing period. We rely on reading the meter
 we read the meter to make sure you pay only for
 the energy you've used.
Gas Usage. We measure your gas usage in kilowatt
 hours (kWh) units.
How to Read the Meter. When a pointer is
 between two numbers on a dial-type meter, read
 the smaller number except when the pointer is
 between 9 and 0. Record the reading on the date
 from left to right.
 Example:



6 Gas Bill

4 Residential Service

Account Number

Statement Date
 9/23/2009

3 Billing & Payment Summary

Customer Name Page 1 of 2

Previous Amount Due on 09/23/2009	\$183.74
Payment Received by 09/17/2009	\$111.00
Balance on 09/07/2009	\$72.74
Charges for Gas Service This Period	\$81.48
Amount Due by 04/21/2009	\$154.23

9 How to Process Your

Since your bill is subject to
 change until your actual
 meter reading is received,
 please pay the amount of
 your account balance, if any,
 even if it is not the actual
 amount due.
 See back of bill for details of
 charges for Gas Service.

13 Amount Due by 04/21/2009

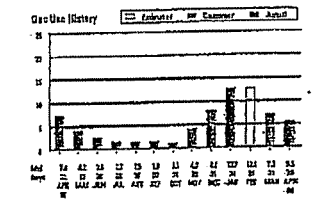
Due date does not apply to unpaid balance billings.

Service Summary

Service Location	2
Meter Number	7419
Meter Reading (to Billing Date)	7419
Actual Reading on 9/7	7379
Gas Used (kWh)	40

6 Service Summary Notes

You need actual meter
 readings to determine
 quantities of gas used.



Daily Consumption

Any Day Any Daily
 Month Total
 9/1/09 2200
 9/2/09 1100
 9/3/09 1100
 9/4/09 1100
 9/5/09 1100
 9/6/09 1100
 9/7/09 1100
 9/8/09 1100
 9/9/09 1100
 9/10/09 1100
 9/11/09 1100
 9/12/09 1100
 9/13/09 1100
 9/14/09 1100
 9/15/09 1100
 9/16/09 1100
 9/17/09 1100
 9/18/09 1100
 9/19/09 1100
 9/20/09 1100
 9/21/09 1100
 9/22/09 1100
 9/23/09 1100
 9/24/09 1100
 9/25/09 1100
 9/26/09 1100
 9/27/09 1100
 9/28/09 1100
 9/29/09 1100
 9/30/09 1100
 9/31/09 1100

1 Payment Coupon

Amount Due by 4/21/2009 \$154.23

How to Deposit
 Payment

Account Number

Payment Enclosed \$

Is your contact information
 on the back incorrect?
 Please call us and we will
 update our records for you
 free of charge.

Columbia Gas of Kentucky P.O. Box 2200 Lexington, KY 40501-2200

Make check payable to:

COLUMBIA GAS
 P.O. BOX 2200
 LEXINGTON KY 40501-2200



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DATE OF ISSUE: September 14, 2009
 ISSUED BY: Herbert A. Miller, Jr.

DATE EFFECTIVE: October 27, 2009
 President

COLUMBIA GAS OF KENTUCKY, INC.

P.S.C. Ky. No. 5

GENERAL TERMS, CONDITIONS, RULES AND REGULATIONS

(Continued)



Gas Bill
Residential Service

17
Page 2 of 2

Account Number
Statement Date
02/07/2009
4418

Legal Notices
Rate Schedule information about rate schedule is available upon request.
Bankruptcy Notices Mail to Columbia Gas of Kentucky, Attention: Bankruptcy, 200 Ohio Center Dr., Columbus, OH 43215.
Other Correspondence (except payments) Mail to Columbia Gas of Kentucky, P.O. Box 2318, Columbus, OH 43216-2318.

Safety Tips
If gas at home is added a dispositive odor to your natural gas to alert you to a leak in or around your home, if you smell an odor of gas:
1. Do not use anything immediately. Leave the door open on your way out, and do not use light switches or matches.
2. Call your 24-hour emergency number from a nearby phone and wait for our service crew to arrive to explain the situation.

Call Before You Dig If you're planning a home construction or landscaping project, call Kentucky 811 or 411 at least 72 hours before you start to dig. A representative will make the appropriate number of underground utility lines at your property.
Employee Identification All of our employees and approved contractors and construction entry point identification. If someone who does not present the proper identification, address and identification, call the police if you are suspicious activity.

Detail of Charges for Gas Service

10	Customer Charge	\$2.00
	Gas Delivery Charge	\$11.42
11	Gas Supply Cost: E.S. Met at \$10.12240 per Met	\$54.57
12	Research & Development Fund	\$0.07
	Law-Fee, Urban Govt. Franchise Fee	\$2.40
	Debt-Int	\$2.51
	ANRP Rider	
	Energy Efficiency/ Conservation Rider	
	Energy Assistance Program Surcharge	\$0.29
	Total Charges for Service This Period	\$81.49

Service Charge Note
The Delivery Charge covers a portion of the gas cost required to ensure that natural gas service is available in your home. This amount is not subject to any rate.
Gas Delivery Charges are due only on charging the gas to your meter. The charges for these services are reported and billed separately from the total distribution charges.
Gas Supply Cost includes the cost of natural gas, delivery and storage charges, and is based on the amount of gas received from the gas supplier.
Gas supply service may be purchased from a participating competitive gas provider in the Customer Choice program.

Contact Information Corrections
If the mailing address or phone number are incorrect, please make the necessary corrections on the lines below.

Address _____
City _____
State _____ Zip code _____
Home Phone _____

DATE OF ISSUE: September 14, 2009
ISSUED BY: Herbert A. Miller, Jr.

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President

COLUMBIA GAS OF KENTUCKY, INC.

**GENERAL TERMS, CONDITIONS, RULES AND REGULATIONS
(Continued)**

33. CUSTOMER BILL FORMAT AND CONTENT - (Continued)

9. Customer Account Number -

identifies your account on our records. For more efficient service, please use it when you call or write us about your account.

10. Customer Charge and 11. Gas Delivery Charge -

covers the costs required to ensure that natural gas service is available to your home or business and physically deliver natural gas to you. The Customer Charge amount will be the same each billing period. The Gas Delivery Charge amount will vary each month according to your gas usage.

12. Gas Supply Cost -

The total gas supply cost amount will vary as gas usage varies. If Customer chooses an alternative supplier, the supplier's name will also appear on the Customer's bill.

13. Due Date & Amount -

the date payment is due and the amount you should pay.

14. Gas Used -

the difference between the meter readings equals the amount of gas you used between the dates, shown in MCF. (1 MCF = 1000 cubic feet of gas.) A consumption history is also provided.

15. Message Area -

items of interest and concern may be included in the message area from time to time.

16. Columbia Gas Information -

for your convenience in contacting us, this is our address, office hours and phone number.

17. Back of Bill -

the back of your bill includes additional information about services, including an explanation and other information for customers.

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DATE OF ISSUE: September 14, 2009

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COLUMBIA GAS OF KENTUCKY, INC.

P.S.C. Ky. No. 5

GENERAL TERMS, CONDITIONS, RULES AND REGULATIONS

(Continued)

33a. CUSTOMER BILL FORMAT FOR EAP CUSTOMERS



Gas Bill
Residential Service

Account Number
Statement Data
07/25/2009
44

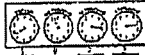
How to Contact Us
1-800-433-4342
For Directions 24 hours a day
For Billing questions:
Call 8 a.m. - 5 p.m., Mon. - Fri. before our date
For payment questions:
Call 8 a.m. - 5 p.m., Tues. - Fri.
1-800-433-4342
For our bills or copy of gas bill history
Printed 24 hours a day
TTY:
For hearing-impaired relay
www.columbiagas.com
Click on Services - Services for account information, assistance with payment services, financial assistance, and more!

Billing Options
Read your Payment Plan because you depend on higher, variable natural gas prices by spreading the cost of winter heating more evenly throughout the year. Know how much to expect to pay each month.

Payment Options
Check for e-bills and pay bills online through our website. Search for our Web site.

Gas Meter Information
Actual Reading: A meter reader has read the meter. Your account is based on the actual reading. Please contact us in writing if you have a concern.
Estimated Reading: During the months we don't read the meter, we accurately estimate your reading based on the history of usage at the service address and normal temperatures for the billing period. We vary the reading the next time we read the meter to make sure you pay only for the energy you use.

Gas Usage We measure your gas usage in kilowatt hours (kWh). How to Read the Meter: When a pointer is between two numbers on a dial-type meter, read the smaller number unless the pointer is between 9 and 0. Record the reading on the dial face to the right.



Legal Notice
Bank Schedule Information about new schedules is available on our website.
Bankruptcy Notice Mail to Columbia Gas of Kentucky, Revenue Recovery, 200 Ohio Center St., Columbus, OH 43215.
Other Correspondence (except payment) Mail to Columbia Gas of Kentucky, P.O. Box 2318, Columbus, OH 43261-2311.

Billing & Payment Summary

Table with columns for Description, Amount, and Billing & Payment Notes. Includes rows for Customer CHOICE Program, Previous Account Due, Payments Received, Energy Assistance, Balance on 07/20/2009, and Charges for Gas Service This Period. Total No Payment Due is \$21,98CR.

Service Summary

Table with columns for Meter Number, Meter Reading, Estimated Reading, and Gas Used (kWh). Shows Meter Number 2187, Estimated Reading on 07/25 2051, Actual Reading on 07/25 2051, and Gas Used (kWh) 63.

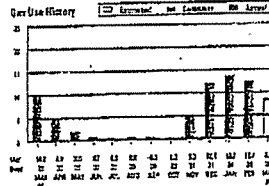


Table with columns for Month, Meter, and Daily Consumption. Includes a note: Your Total Annual Usage is 615 kWh.

Payment Coupon

No Payment Due \$21,98CR
No Automatic Bill Payment will be made by your Financial Institution.

Turn this Over to the issuer to receive your payment.
Account Number
 As your contact information or the bank information on the back has changed, please call our toll-free number for assistance.
 I want to help my future in need by making a contribution to the World's Best Fund. Check this box and complete the form on the reverse side.

Columbia Gas of Kentucky, P.O. Box 1041, Lexington, KY 40508-1041

COLUMBIA GAS
P.O. BOX 2300
LEXINGTON KY 40508-2300



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DATE OF ISSUE: September 14, 2009

DATE EFFECTIVE: October 27, 2009

ISSUED BY: Herbert A. Miller, Jr.

President

ATTACHMENT B

PROOF OF REVENUE

Columbia Gas of Kentucky, Inc.
Case No. 2009-00141
Revenue Proof

<u>Rate Code</u>	<u>Class Description</u>	<u>Number of Bills</u>	<u>Volumes (Mcf)</u>	<u>Proposed Rates</u>	<u>Proposed Revenue</u>
	<u>Sales Service</u>				
GSR	General Service - Residential				
	Customer Charge:	1,185,131		\$12.35	14,636,367.85
	All Gas Consumed		6,825,692.4	\$1.8715	12,774,283.33
	Gas Cost Uncollectible Accounts in GCA			\$0.0964	657,996.75
G1C	LG&E Commercial				
	Customer Charge:	48		\$16.50	792.00
	All Gas Consumed		6,675.8	\$1.5093	10,075.78
G1R	LG&E Residential				
	Customer Charge:	281		\$8.50	2,388.50
	All Gas Consumed		2,390.1	\$2.6160	6,252.50
IN3	Inland Gas General Service - Residential				
	Customer Charge:	120		\$0.00	0.00
	All Gas Consumed		1,480.4	\$0.4000	592.16
IN3	Inland Gas General Service - Commercial				
	Customer Charge:	12		\$0.00	0.00
	All Gas Consumed		56.4	\$0.4000	22.56
IN4	Inland Gas General Service - Residential				
	Customer Charge:	12		\$0.00	0.00
	All Gas Consumed		112.2	\$0.5500	61.71
IN5	Inland Gas General Service - Residential				
	Customer Charge:	60		\$0.00	0.00
	All Gas Consumed		721.2	\$0.6000	432.72
LG2	LG&E Residential				
	Customer Charge:	12		\$0.00	0.00
	All Gas Consumed		633.9	\$0.3500	221.87
LG2	LG&E Commercial				
	Customer Charge:	12		\$0.00	0.00
	All Gas Consumed		938.2	\$0.3500	328.37
LG3	LG&E Residential				
	Customer Charge:	12		\$1.20	14.40
	First 2 Mcf		20.9	\$0.0000	0.00
	Over 2 Mcf		461.9	\$0.3500	161.67
LG4	LG&E Residential				
	Customer Charge:	12		\$0.00	0.00
	All Gas Consumed		266.5	\$0.4000	106.60
GSO	General Service - Commercial				
	Customer Charge:	133,374		\$25.13	3,351,688.62
	First 50 Mcf		1,525,963.6	\$1.8715	2,855,840.88
	Next 350 Mcf		1,586,648.3	\$1.8153	2,880,242.66
	Next 600 Mcf		461,089.8	\$1.7296	797,500.92
	Over 1,000 Mcf		456,232.0	\$1.5802	720,937.81
	Gas Cost Uncollectible Accounts in GCA			\$0.0964	388,485.61

Columbia Gas of Kentucky, Inc.
Case No. 2009-00141
Revenue Proof

<u>Rate Code</u>	<u>Class Description</u>	<u>Number of Bills</u>	<u>Volumes (Mcf)</u>	<u>Proposed Rates</u>	<u>Proposed Revenue</u>
<u>Sales Service</u>					
GSO	General Service - Industrial				
	Customer Charge:	522		\$25.13	13,117.86
	First 50 Mcf		14,708.0	\$1.8715	27,526.02
	Next 350 Mcf		61,807.5	\$1.8153	112,199.15
	Next 600 Mcf		39,321.6	\$1.7296	68,010.64
	Over 1,000 Mcf		39,637.0	\$1.5802	62,634.39
	Gas Cost Uncollectible Accounts in GCA			\$0.0964	14,987.70
IUS	Intrastate Utility Service - Wholesale				
	Customer Charge:	24		\$331.50	7,956.00
	All Gas Consumed		19,134.0	\$0.7750	14,828.85
	Gas Cost Uncollectible Accounts in GCA			\$0.0964	1,844.52
<u>Transportation Service</u>					
GTR	GTS Choice - Residential				
	Customer Charge:	310,965		\$12.35	3,840,417.75
	All Gas Consumed		1,995,520.2	\$1.8715	3,734,616.05
GTO	GTS Choice - Commercial				
	Customer Charge:	38,712		\$25.13	972,832.56
	First 50 Mcf		494,625.5	\$1.8715	925,691.62
	Next 350 Mcf		568,367.4	\$1.8153	1,031,757.34
	Next 600 Mcf		185,270.2	\$1.7296	320,443.34
	Over 1,000 Mcf		169,320.6	\$1.5802	267,560.41
GTO	GTS Choice - Industrial				
	Customer Charge:	96		\$25.13	2,412.48
	First 50 Mcf		3,306.3	\$1.8715	6,187.74
	Next 350 Mcf		12,616.5	\$1.8153	22,902.73
	Next 600 Mcf		9,677.7	\$1.7296	16,738.55
	Over 1,000 Mcf		8,456.9	\$1.5802	13,363.59
DS	GTS Delivery Service - Commercial				
	Customer Charge:	312		\$583.39	182,017.68
	Administrative Charge:	312		\$55.90	17,440.80
	First 30,000 Mcf		1,463,233.4	\$0.5467	799,949.70
	Over 30,000 Mcf		0.0	\$0.2905	0.00
DS	GTS Delivery Service - Industrial				
	Customer Charge:	538		\$583.39	313,863.82
	Administrative Charge:	538		\$55.90	30,074.20
	First 30,000 Mcf		4,570,167.0	\$0.5467	2,498,510.30
	Over 30,000 Mcf		2,098,391.0	\$0.2905	609,582.59
GDS	GTS Grandfathered Delivery Service - Commercial				
	Customer Charge:	204		\$25.13	5,126.52
	Administrative Charge:	204		\$55.90	11,403.60
	First 50 Mcf		10,200.0	\$1.8715	19,089.30
	Next 350 Mcf		69,538.6	\$1.8153	126,233.42
	Next 600 Mcf		93,608.1	\$1.7296	161,904.57
	Over 1,000 Mcf		70,582.0	\$1.5802	111,533.68

Columbia Gas of Kentucky, Inc.
Case No. 2009-00141
Revenue Proof

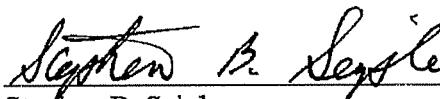
<u>Rate Code</u>	<u>Class Description</u>	<u>Number of Bills</u>	<u>Volumes (Mcf)</u>	<u>Proposed Rates</u>	<u>Proposed Revenue</u>
<u>Transportation Service</u>					
GDS	GTS Grandfathered Delivery Service - Industrial				
	Customer Charge:	109		\$25.13	2,739.17
	Administrative Charge:	109		\$55.90	6,093.10
	First 50 Mcf		20,585.0	\$1.8715	38,524.83
	Next 350 Mcf		28,309.0	\$1.8153	51,389.33
	Next 600 Mcf		49,047.0	\$1.7296	84,831.69
	Over 1,000 Mcf		59,359.0	\$1.5802	93,799.09
DS3	GTS Main Line Service - Industrial				
	Customer Charge:	17		\$200.00	3,400.00
	Administrative Charge:	17		\$55.90	950.30
	All Gas Consumed		213,976.0	\$0.0858	18,359.14
FX1	GTS Flex Rate - Commercial				
	Customer Charge:	12		\$547.37	6,568.44
	Administrative Charge:	12		\$65.00	780.00
	All Gas Consumed		305,721.5	\$0.1250	38,215.19
FX2	GTS Flex Rate - Industrial				
	Customer Charge:	12		\$547.37	6,568.44
	Administrative Charge:	12		\$65.00	780.00
	All Gas Consumed		5,202.2	\$0.1250	650.28
FX4	GTS Flex Rate - Industrial				
	Customer Charge:	12		\$547.37	6,568.44
	Administrative Charge:	12		\$55.90	670.80
	All Gas Consumed		52,333.0	\$0.3250	17,008.23
FX5	GTS Flex Rate - Industrial				
	Customer Charge:	36		\$200.00	7,200.00
	Administrative Charge:	36		\$55.90	2,012.40
	All Gas Consumed		5,633,272.0	\$0.0858	483,334.74
FX6	GTS Flex Rate - Industrial				
	Customer Charge:	12		\$200.00	2,400.00
	Administrative Charge:	12		\$55.90	670.80
	All Gas Consumed		346,158.0	\$0.0858	29,700.36
FX7	GTS Flex Rate - Industrial				
	Customer Charge:	12		\$547.37	6,568.44
	Administrative Charge:	12		\$55.90	670.80
	First 30,000 Mcf		300,000.0	\$0.4500	135,000.00
	Over 30,000 Mcf		219,685.0	\$0.2500	54,921.25
FX8	GTS Flex Rate - Industrial				
	Customer Charge:	12		\$547.37	6,568.44
	Administrative Charge:	12		\$55.90	670.80
	First 30,000 Mcf		29,145.0	\$0.5467	15,933.57
	Over 30,000 Mcf		0.0	\$0.2905	0.00
SAS	GTS Special Agency Service				
	Customer Charge:	12		\$583.39	7,000.68
	Administrative Charge:	12		\$55.90	670.80
	First 30,000 Mcf		50,508.9	\$0.5467	27,613.22
	Over 30,000 Mcf		0.0	\$0.2905	0.00

Columbia Gas of Kentucky, Inc.
Case No. 2009-00141
Revenue Proof

<u>Rate Code</u>	<u>Class Description</u>	<u>Number of Bills</u>	<u>Volumes (Mcf)</u>	<u>Proposed Rates</u>	<u>Proposed Revenue</u>
<u>Transportation Service</u>					
SC2	GTS Special Rate - Industrial				
	Customer Charge:	12		\$200.00	\$2,400.00
	Administrative Charge:	12		\$25.00	\$300.00
	All Gas Consumed		671,369.0	\$0.2400	\$161,128.56
SC3	GTS Special Rate - Industrial				
	Customer Charge:	12		\$200.00	\$2,400.00
	Administrative Charge:	12		\$25.00	\$300.00
	First 30,000 Mcf		1,693,997.0	\$0.2600	\$440,439.22
	Over 30,000 Mcf		2,451,868.0	\$0.1300	\$318,742.84
	Total Revenue, excluding gas cost				\$57,534,098.13
	Gas Cost Recovery (Per filed Schedule M)				\$111,744,211.33
	EAP Revenue (Per filed Schedule M corrected per AG set 1 no. 60-1)				\$463,113.66
	Other Gas Department Revenues				\$939,492.00
	TOTAL PROPOSED REVENUE				\$170,680,915.12
	TOTAL PRESENT REVENUE				
	(SCHEDULE M, PAGE 2, LINE 8 corrected per AG set 1 no. 60-1)				\$164,555,916.95
	Revenue Increase				\$6,124,998.17

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 this 14th day of September, 2009.



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

SERVICE LIST

Hon. Iris G. Skidmore
Bates & Skidmore
415 W. Main Street, Suite 2
Frankfort, Kentucky 40601

Hon. Dennis G. Howard, II
Hon. Lawrence W. Cook
Office of the Attorney General
1024 Capitol Center Drive, Suite 200
Frankfort, Kentucky 40601-8204

Hon. David F. Boehm
Boehm, Kurtz & Lowry
36 E. Seventh Street, Suite 1510
Cincinnati, Ohio 45202

Hon. William H. May, III
Hon. Matthew R. Malone
Hurt, Crosbie & May PLLC
127 West Main Street
Lexington Kentucky 40507

Hon. Vincent A. Parisi
Interstate Gas Supply, Inc.
5020 Bradenton Avenue
Dublin, Ohio 43017

Hon. Tom FitzGerald
Hon. Liz D. Edmondson
Kentucky Resources Council, Inc.
P.O. Box 1070
Frankfort, Kentucky 40602-1070

Hon. W. L. Wilson
Leslye M. Bowman
Lexington-Fayette Urban County Government
200 East Main Street
Lexington, Kentucky 40507

Hon. John M. Dosker
Stand Energy Corporation
1077 Celestial Street, Suite #110
Cincinnati, Ohio 45202-1629

Hon. Robert M. Watt, III
Stoll Keenon Ogden PLLC
300 West Vine Street
Suite 2100
Lexington, Kentucky 40507-1801

Hon. David J. Barberie
Lexington-Fayette Urban County Government
Department of Law
P.O. Box 34028
200 East Main Street
Lexington, Kentucky 40588

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SEP 14 2009

**PUBLIC SERVICE
COMMISSION**

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

IN THE MATTER OF AN ADJUSTMENT)
OF GAS RATES OF COLUMBIA GAS) CASE NO. 2009-00141
OF KENTUCKY, INC.)

**DIRECT TESTIMONY OF HERBERT A. MILLER, JR.
IN SUPPORT OF THE STIPULATION AND RECOMMENDATION**

1 Q: Please state your name, title and business address.

2 A: My name is Herbert A. Miller, Jr. My title is President of Columbia Gas of Kentucky, Inc.
3 (“Columbia”), and my business address is 2001 Mercer Road, Lexington, KY 40512-4241.

4
5 Q: What is the purpose of your testimony?

6 A: My testimony is filed in support of the Stipulation and Recommendation (“Stipulation”)
7 filed with the Kentucky Public Service Commission (“Commission”) on September 14,
8 2009, in this proceeding. My testimony will explain how, in Columbia’s opinion, the
9 Stipulation is fair, just and reasonable.

10

11 Q: Please explain how the total amount of the increase in revenues for Columbia as proposed
12 in the Stipulation can be considered fair, just and reasonable.

13 A: Whether the amount of increase in revenues is fair, just and reasonable is a somewhat
14 subjective determination. It is not a mathematical formula, and is a matter on which rea-
15 sonable minds (and experts) can differ. The initial proposal by each party in this proceed-

1 ing represented the best possible outcome based on the facts, as they were understood by
2 each of the parties at the commencement of this case. Since that time substantial data has
3 been exchanged and the parties have engaged in extensive negotiations in an attempt to
4 arrive at an outcome that is fair, just and reasonable to Columbia's customers and its
5 shareholders, an outcome which the Commission would, and should, approve. The com-
6 promise of revenues and rates which have resulted from these negotiations reflect the
7 present best judgment of the parties (including their respective outside experts) as to what
8 is fair, just and reasonable for Columbia's customers and shareholders. These rates will
9 produce sufficient revenue for Columbia to operate and provide the high level of service
10 it strives for and its customers expect.

11 Columbia's position remains that the entire increase originally filed by the Com-
12 pany is appropriate to maintain its earnings at a level that allows Columbia an opportu-
13 nity to earn a fair, just and reasonable return on its investment. Nonetheless, the nature of
14 the ratemaking process is such that a Stipulation reached by the various parties in the
15 proceeding can produce a fair, just and reasonable outcome as a result of the compromise
16 reached by the parties.

17
18 Q: Why would the parties be willing to reach a compromise?

19 A: Each of the parties to the Stipulation has vigorously pursued its respective positions in
20 testimony, exhibits and responses to data requests. However, despite the sincerity of these
21 individual positions, each party recognizes that the final outcome in this proceeding
22 would likely result in a decision with which neither it nor the other parties would be to-
23 tally satisfied. The parties further recognize that the very nature of litigation entails both

1 risk and cost. By reaching this compromise, each party has determined that the proposed
2 Stipulation outcome is preferable to other, less favorable outcomes and avoids the costs
3 to Columbia's customers that could result as an outcome of litigating the issues in this
4 case. Through negotiation, each party was able to prioritize its goals in this proceeding
5 and ensure that those priorities are reflected in the Stipulation.

6

7 Q: But how does a compromise produce a fair, just and reasonable change in revenues?

8 A: Each of the parties to this proceeding represents a unique constituency. By vigorously
9 pursuing the positions of the respective constituencies in negotiations, each party has en-
10 sured that the priorities of its constituency have been recognized and protected in the
11 Stipulation. It is the vigorous representation of all constituencies in negotiations, with
12 each party freely and voluntarily agreeing to the concessions it has made in order to en-
13 sure its priorities are reflected in the Stipulation, which provides for a fair, just and rea-
14 sonable change in rates. In other words, this Stipulation is a fair, just and reasonable set-
15 tlement because each constituency has been vigorously represented in the negotiations
16 and, through representation or direct involvement, has freely agreed to the Stipulation.

17

18 Q: What evidence is there for the Commission that each constituency was vigorously repre-
19 sented in the negotiations that led to this settlement?

20 A: The Stipulation outcome itself reveals the sincerity of the negotiations on all sides. The
21 record in this proceeding clearly states the positions of the parties. The Commission need
22 only review the positions taken by the parties in this case and compare those positions to
23 the Stipulation to determine if each constituency was vigorously represented in negotia-

1 tions and made appropriate concessions to ensure its priorities were reflected on the
2 Stipulation. Any settlement must be viewed in its entirety rather than evaluated on the ba-
3 sis of any its individual components. This Stipulation was negotiated in the context of its
4 overall result and impact on customers and shareholders, not any one particular rate issue.
5

6 Q: Please briefly describe the terms of the Stipulation.

7 A: The Stipulation offered to the Commission for its consideration and approval, permits
8 Columbia to adjust its rates to recover an additional \$6.125 million in annual revenue
9 compared to current rates, beginning on and after October 27, 2009. The increased reve-
10 nue shall be reflected in the new residential late payment charge, commodity gas cost un-
11 collectible recovery in the Gas Cost Adjustment clause, as well as increases to customer
12 charges associated with Columbia's various rate schedules. There shall be no change in
13 any of Columbia's volumetric rates except Rate Schedule IUS. In conjunction with the
14 Stipulation, Columbia has withdrawn from this case its proposal to implement a Straight
15 Fixed Variable rate design, and has agreed not to file a case requesting approval of that
16 rate design prior to October 1, 2010. Columbia has also withdrawn from this case its pro-
17 posal to implement its PPS and NSS programs. Columbia agrees it will not revisit these
18 proposals prior to July 1, 2010, and will consult with Interstate Gas Supply, Inc., Stand
19 Energy Corporation, and Constellation NewEnergy-Gas Division LLC before filing any
20 proposal to implement the PPS and/or NSS programs.

21
22 Q: Please describe the attachments to the Stipulation.

1 A: Attached to the Stipulation are completed sets of pro-forma tariff sheets and proof-of-
2 revenue sheets. These attachments are considered as a part of the Stipulation and have
3 been agreed to by Columbia; the Attorney General of the Commonwealth of Kentucky;
4 the Lexington-Fayette Urban County Government; the Kentucky Industrial Utility Cus-
5 tomers; Interstate Gas Supply, Inc; the Community Action Council for Lexington-
6 Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.; AARP; Constellation NewEn-
7 ergy-Gas Division, LLC; and Stand Energy Corporation.

8
9 Q: Please describe why the attached tariffs that have been modified by virtue of the Stipula-
10 tion are fair, just and reasonable.

11 A: As a part of the Stipulation, Columbia; the Attorney General of the Commonwealth of
12 Kentucky; the Lexington-Fayette Urban County Government; the Kentucky Industrial
13 Utility Customers; Interstate Gas Supply, Inc; the Community Action Council for Lex-
14 ington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.; AARP; Constellation
15 NewEnergy-Gas Division, LLC; and Stand Energy Corporation have agreed upon the tar-
16 iffs attached hereto. The attached tariffs ensure the interests of the constituencies repre-
17 sented by each party have been prioritized and protected in the Stipulation. The tariffs
18 themselves are the means by which Columbia can produce the level of revenue necessary
19 to meets its obligations. For the convenience of the Commission, the proposed tariff
20 changes are attached to the Stipulation.

21 The tariffs reflect that Columbia's reconnection fee resulting from non-payment
22 will remain at \$25.00. Columbia will revise its Gas Cost Adjustment clause to permit re-
23 covery of uncollectible expenses attributed only to the commodity cost of gas. Columbia

1 will also implement its increase to the late payment charge on residential accounts, with
2 an additional modification to exempt from the late payment charge Columbia's residen-
3 tial customers who have entered into payment plans and who remain current on the pay-
4 ment plan payments and Columbia residential customers enrolled in utility bill assistance
5 programs. Other than the changes referenced above, all other tariff changes proposed by
6 Columbia shall be adopted as proposed.

7
8 Q: Please describe any proposed programs agreed upon by the Stipulation.

9 A: Columbia will implement its Accelerated Main Replacement Program ("AMRP") Rider
10 as proposed, and will revise its tariffs to reflect an 8.10% overall weighted average cost
11 of capital. For further AMRP annual filings, Columbia will utilize the 8.10% overall rate
12 of return grossed up for federal and state taxes, and an authorized return on equity, agreed
13 to by the parties for AMRP filing purposes, of 10.5%. Columbia will also implement its
14 proposed Demand Side Management program and associated Energy Efficiency and
15 Conservation Program Rider without modification. As stated in the Stipulation, Columbia
16 has agreed to establish a DSM Collaborative in January 2010 to develop a second-phase
17 DSM program, including DSM measures targeted for low-income customers. Columbia
18 has agreed to file with the Commission a second-phase DSM proposal and corresponding
19 Energy Efficiency and Conservation Rider adjustment proposal by August 2, 2010. All
20 parties to this case will be invited to participate in the DSM Collaborative.

21
22 Q: Please describe how the rate case expenses will be recovered.

1 A: Columbia's actual rate case expenses from this proceeding will be amortized over a
2 three-year period, as opposed to its proposed two-year recovery period.

3
4 Q: How have Columbia and the parties agreed to address Columbia's proposal regarding its
5 pension and OPEB expenses?

6 A: Columbia has agreed to withdraw its request in this docket for authority to defer pension
7 and other postretirement employee benefits ("OPEB") expenses and has agreed to with-
8 draw its request for the Pension and OPEB Mechanism (also referred to as Rider POM).
9 Columbia will continue its pending application in Case No. 2009-00168 and agrees to
10 support the Attorney General's petition in that case to request permission to file com-
11 ments and/or testimony in that case before October 1, 2009, with such comments and/or
12 testimony to be filed by October 16, 2009 and Columbia's reply comments and/or testi-
13 mony due by October 30, 2009.

14

15 Q: Please describe the attached proof-of-revenue sheets.

16 A: As a part of the Stipulation, all of the parties have agreed upon the proof-of-revenue
17 sheets attached hereto, which detail the rate designs and validation of the rate adjustment
18 of \$6.125 million. The attachment provides an overview of the proposed distribution rates
19 by service type. The total increase of \$6,124,998.17 is shown at the bottom of Page 4 of
20 Attachment B.

21
22 Q: Has Columbia published public notice of the hearing in this case, scheduled to begin on
23 September 16, 2009?

1 A: Yes. Columbia published such public notice in newspapers throughout its service area.
2 Affidavits demonstrating the publications have been docketed with the Commission.

3

4 Q: Are there any other matters you wish to address at this time?

5 A: Yes. In closing, please note that all of the parties have expended considerable effort to
6 reach the terms that form the basis of the Stipulation. The parties agree that this Stipula-
7 tion is reasonable, produces rates that are fair, and is in the best interest of all concerned.
8 Together, we submit the Stipulation for the consideration of the Commission and urge
9 that the terms be approved in its entirety.

10

11 Q: Does this conclude your Direct Testimony in Support of the Stipulation?

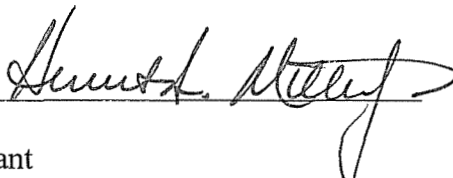
12 A: Yes, it does.

AFFIDAVIT

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF FAYETTE)

SS:


Comes the Affiant, Herbert A. Miller, Jr., and being duly sworn states that this testimony, together with all supporting schedules, exhibits and/or appendices, constitute his direct testimony in support of the Stipulation and Recommendation in this case, and swears and affirms that to the best of his information and belief all statements and representations made therein are true and correct. Further, Affiant sayeth naught.



Affiant

Subscribed and sworn to before me this 14th day of September, 2009, by Herbert A. Miller, Jr.

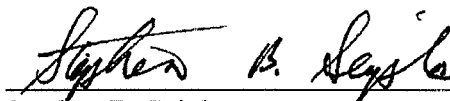
My Commission Expires:



Notary Public

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Direct Testimony of Herbert A. Miller, Jr., in Support of the Stipulation and Recommendation was served by First Class U.S. Mail postage prepaid on the following parties this 14th day of September 2009.



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

Hon. Iris G. Skidmore
Bates & Skidmore
415 W. Main Street, Suite 2
Frankfort, Kentucky 40601

Hon. Dennis G. Howard, II
Hon. Lawrence W. Cook
Office of the Attorney General
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601-8204

Hon. David F. Boehm
Boehm, Kurtz & Lowry
36 E. Seventh Street, Suite 1510
Cincinnati, Ohio 45202

Hon. John M. Dosker
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Hon. Vincent A. Parisi
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5020 Bradenton Avenue
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Hon. Tom Fitzgerald
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P.O. Box 1070
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Hon. W. L. Wilson
Leslye M. Bowman
Lexington-Fayette Urban County Government
200 East Main Street
Lexington, Kentucky 40507

Hon. William H. May, III
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Hurt, Crosbie & May PLLC
127 West Main Street
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Hon. Robert M. Watt, III
Stoll Keenon Ogden PLLC
300 West Vine Street
Suite 2100
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Lexington-Fayette Urban County Government
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200 East Main Street
Lexington, Kentucky 40507