

June 21, 2010

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PUBLIC SERVICE
COMMISSION

Columbia Gas[®]
of Kentucky

A NiSource Company

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

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

RE: Case No. 2010-00146

Dear Mr. Derouen,

Enclosed for docketing with the Commission is an original and ten (10) copies of the Testimony of Judy Cooper on behalf of Columbia Gas of Kentucky, Inc., in the above case. Should you have any questions about this filing, please contact me at 614-460-5558. Thank you!

Sincerely,



Brooke E. Leslie
Counsel

Enclosures

cc: Hon. Richard S. Taylor

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

An Investigation of Natural Gas)
Retail Competition Programs) Case No. 2010-00146

**PREPARED DIRECT TESTIMONY OF
JUDY M. COOPER
ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.**

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June 21, 2010

Attorneys for
COLUMBIA GAS OF KENTUCKY, INC.

PREPARED DIRECT TESTIMONY OF JUDY M. COOPER

1 **Q: Please state your name and business address.**

2 A: My name is Judy M. Cooper and my business address is Columbia Gas of Kentucky, Inc.,
3 2001 Mercer Road, Lexington, KY 40511.

4
5 **Q: What is your current position and responsibilities?**

6 A: I am the Director of Regulatory Policy for Columbia Gas of Kentucky, Inc. (“Columbia”). I
7 am responsible for the management of Columbia’s regulatory affairs, tariffs and filings
8 with the Commission, including quarterly Gas Cost Adjustments. I am also responsible
9 for Columbia’s local customer service functions.

10
11 **Q: What is your educational background?**

12 A. I am a graduate of the University of Kentucky where I received a Bachelor of Science
13 Degree in Accounting in 1982. I also received a Masters in Business Administration from
14 Xavier University in 1985.

15
16 **Q: Please describe your employment history?**

17 A: I was employed by the Kentucky Public Service Commission (“Commission”) as an audi-
18 tor in 1982. Subsequently, I was served as a rate analyst, Energy Policy Advisor, Branch
19 Manager of Electric and Gas Rate Design, and Director of Rates, Tariffs and Financial
20 Analysis at the Commission. In July of 1998 I joined Columbia as Manager of Regula-
21 tory Services. My job title has since been revised to that of Director, Regulatory Policy.

22

1 **Q. Have you previously testified before the Kentucky Public Service Commission?**

2 A: Yes, I have testified before the Kentucky Public Service Commission in three cases for
3 Columbia. Case No. 2002-00117, “The Filing by Columbia Gas of Kentucky, Inc. to Re-
4 quire that Marketers in the Small Volume Gas Transportation Program be Required to
5 Accept a Mandatory Assignment of Capacity”, Case No. 2007-00008, “In the matter of
6 adjustment of rates of Columbia Gas of Kentucky, Inc.”, and Case No. 2009-00141, “In
7 the matter of an adjustment of rates of Columbia Gas of Kentucky, Inc.”.

8

9 **Q: What is the purpose of your testimony in this proceeding?**

10 A: The purpose of my testimony is to provide comments on the subjects that the Commis-
11 sion stated should be considered and the elements that the General Assembly directed
12 should be considered in studying whether greater steps should be taken to formalize the
13 establishment of a competitive retail natural gas market through legislation.

14

15 **Q: The Resolution of the General Assembly directing the Commission to commence a**
16 **collaborative study provided guidance on a number of elements that should be con-**
17 **sidered by the Commission. Has the Commission previously considered any of these**
18 **elements?**

19 A: All of the elements have been before the Commission in its consideration of Columbia’s
20 Customer CHOICE program.

21

1 **Q: The Commission's Order establishing this proceeding identifies Columbia as having**
2 **already taken steps to open its service area to competitive markets. Please describe**
3 **the history of Columbia's CHOICE program.**

4 A: As the Commission stated in its Order of April 19, 2010 that established this case, the
5 General Assembly's broad grant of authority to the Commission includes the discretion to
6 allow natural gas distribution companies to open their own service areas to competitive
7 markets. Columbia undertook this very initiative with its Small Volume Gas Transporta-
8 tion Service, more commonly referred to as Customer Choice or CHOICE program. Co-
9 lumbia's Customer Choice service is an entirely voluntary tariff offering that allows Co-
10 lumbia's small volume customers (annual usage below 25,000 Mcf) to purchase their
11 natural gas commodity supply from a certified marketer with Columbia continuing to
12 provide transportation service for the commodity and maintaining the distribution func-
13 tion¹. The program originated in Case No. 1999-165 with gas first flowing to customers
14 in November 2000. Columbia filed the initial application on its own motion, pursuant to
15 the Commission's requirements in Administrative Case No. 367². The Application was
16 approved by the Commission as a pilot program, with modifications, by Orders issued on
17 January 27, 2000, March 6, 2000 and May 19, 2000. Pursuant to those Orders, the pilot
18 program would be authorized through October 31, 2004. By letter dated May 26, 2000
19 Columbia notified the Commission that it would accept the modifications of the Commis-
20 sion and that it elected to implement the approved Customer Choice program.

¹ Large Volume customers (annual usage greater than 25,000 Mcf) have had access to third-party suppliers and LDC transportation service for more than 25 years.

² Administrative Case No. 367, The Establishment of a Collaborative Forum to Discuss the Issues Related to Natural Gas Unbundling and the Introduction of Competition to the Residential Natural Gas Market.

1 On June 6, 2003, Columbia filed a motion in which it requested permission to
2 terminate the pilot program, effective March 31, 2004. Columbia subsequently with-
3 drew that motion and instead sought to extend the program through March 31, 2005. The
4 request to extend the pilot program was to, in part, “provide the parties with additional
5 time to discuss the varied and complex issues associated with the future of the Choice
6 program once the pilot program comes to its scheduled conclusion.”³ On September 25,
7 2003, the Commission issued an Order in which it authorized the pilot program to be ex-
8 tended through March 31, 2005, and in which it encouraged the parties to continue dis-
9 cussing the future of the pilot program.

10 The concepts of a regulatory structure for the future pilot program to continue
11 through March 31, 2009 were embodied in Columbia’s application filed on November
12 30, 2004, in Case No. 2004-00462. In its application, Columbia requested authorization
13 to continue the CHOICE program through March 31, 2009. The program was approved
14 by the Commission in its Order dated March 29, 2005.

15 On February 1, 2007, Columbia filed an application in Case No. 2007-00008
16 seeking to increase its gas revenues and to revise, add and delete several tariffs applicable
17 to its gas service. On August 29, 2007, the Commission accepted the Joint Stipulation and
18 Recommendation of the parties. Revisions to Columbia’s CHOICE program in Rate Sched-
19 ule SVAS – Small Volume Aggregation Service were among the items included.

20 On May 30, 2008 Columbia filed an Application in Case No. 2008-00195 in which
21 it proposed to extend the effective date of the CHOICE program as authorized by the Com-
22 mission in Case No. 2007-00008. By Order dated November 7, 2008, the Commission au-
23 thorized Columbia to continue its CHOICE program through March 31, 2011. Columbia has

³ Columbia Motion of August 12, 2003.

1 submitted its request to the Commission to continue authorization of the effective date to
2 March 31, 2014.

3
4 **Q. How did Columbia develop its program goals?**

5 A: Columbia utilized the collaborative process recommended by the Commission in Adminis-
6 trative Case No. 367 that “encouraged any applicant utility to seek input from its stake-
7 holders and to develop a program that would reach compromise with both public and utility
8 shareholder interests”. The initial collaborative consisted of the Office of the Attorney Gen-
9 eral of the Commonwealth of Kentucky (“AG”), the Lexington-Fayette Urban County Gov-
10 ernment (“LFUCG”), and the Community Action Council for Fayette, Bourbon, Harrison
11 and Nicholas Counties (“CAC), with input from FSG Energy Services, a marketing subsidi-
12 ary of Wisconsin Public Service Resources Corporation. Subsequent revisions have been the
13 result of negotiations involving the AG, LFUCG, CAC and additional parties, including In-
14 terstate Gas Supply, Inc., MX Energy, Inc., Kentucky Industrial Utility Customers, Inc., The
15 National Energy Marketers’ Association and Volunteer Energy Services, Inc. Based upon
16 its review of other small volume transportation programs, input from the numerous parties,
17 and Columbia’s understanding of its customers, Columbia developed goals for its program.

18
19 **Q: What goals did Columbia establish for its program?**

20 A: The original goals of the program were:

- 21 • The program must provide an opportunity for customers to save money on their gas
22 bills;
23

- 1 • The program should provide marketers with as much flexibility as is possible to provide customers savings by allowing them to serve customers using their own interstate pipeline capacity;
- 2
- 3
- 4
- 5 • The program should be revenue neutral for Columbia, and must allow Columbia to recover its stranded costs and incremental program expenses;
- 6
- 7
- 8 • The recovery of stranded costs must be as transparent to the customer as possible to permit the customer to make a clear and understandable choice between the marketer's offer and Columbia's sales rate;
- 9
- 10
- 11
- 12 • Customers who choose to continue to purchase their gas supply using Columbia's traditional sales service should not incur any additional charges because of the implementation of a small volume gas transportation program; and,
- 13
- 14
- 15
- 16 • Customer education is critical to the success of the program and customers must have an opportunity to learn about the program for a period of time before they begin to receive offers from marketers.
- 17
- 18
- 19

20

21 **Q: What are the current goals of Columbia's Customer CHOICE program?**

22

23 A: The goals of the program have been revised with the evolution of customer CHOICE and are currently:

- 24
- 25
- 26 • The program must provide an opportunity for residential and small commercial customers to have additional gas supply options available, and that provide an opportunity for reduced gas prices and/or more stable gas prices, while maintaining reliability of service;
- 27
- 28
- 29
- 30
- 31 • The program must allow Columbia to recover its costs of administering the program, and should provide incentives that will encourage Columbia to promote the CHOICE program; and,
- 32
- 33
- 34
- 35
- 36 • Customers who choose to continue to purchase their gas supply using Columbia's traditional sales service should not incur any additional charges because of the implementation of a CHOICE program.
- 37
- 38
- 39

40

41 **Q: Why were Columbia's program goals changed?**

42 A: The goals were revised with changes to the program design. Some of the original goals,

43 while not stated explicitly are incorporated intrinsically in the design of the program and

1 remain required ideals. For example, the goals pertaining to stranded costs are no longer
2 specific statements because the program is designed to eliminate stranded costs and there-
3 fore eliminate the need for recovery. Columbia's original program design was a two-phase
4 program providing an initial period during which marketers were not required to take as-
5 signment of Columbia's pipeline storage and transportation capacity and a subsequent pe-
6 riod during which marketers were required to take assignment of Columbia's capacity. Co-
7 lumbia's program was revised to eliminate the two phases entirely and require mandatory
8 assignment of capacity. This revision in Case No. 2004-00462 eliminated the issue of
9 stranded costs and the mechanisms that had existed previously in Columbia's tariff to re-
10 cover those stranded costs. The elimination of stranded costs remains a required ideal and
11 is paramount for avoiding any cost shifting as a result of Customer Choice. The program
12 has been designed from the beginning in a manner that would avoid any adverse impact on
13 existing utility services and remaining Columbia tariff sales customers.

14
15 **Q: Does Columbia's program meet the established goals?**

16 **A:** Yes. The program provides the opportunity for Columbia's customers to shop for the pro-
17 vider of the natural gas commodity from the various marketers and rate offerings available
18 at any particular time. At the same time, the customer is guaranteed reliability of service
19 because Columbia maintains the obligation to serve the customer and is responsible for all
20 meter reading, billing, collections, disconnection procedures, operational integrity of the dis-
21 tribution system and is the supplier of last resort. As a result, no customer has ever failed to
22 receive the quantity or quality of natural gas desired for consumption due to the failure of a
23 marketer to deliver gas on behalf of that customer to Columbia. Columbia has always ful-

1 filled its obligations as the supplier of last resort and provided uninterrupted service to the
2 customers.

3 The program design allows Columbia to recover its costs. In the early years, transi-
4 tion and stranded costs were very significant. A specific financial model was explicitly cre-
5 ated in the early years of the program to monitor the stranded costs, technology and pro-
6 gramming costs and costs to educate customers about the new service. With the avoidance
7 of stranded costs and the completed construction of programming and customer education
8 platforms, the stranded costs recovery mechanism no longer exists. The ongoing business
9 expenses that Columbia incurs are recovered from participating marketers, as in the original
10 design of the program, via the marketer billing fee, marketer charge and discount on ac-
11 counts receivable.

12 The concern for potential cost shifting between customers participating in the
13 CHOICE program and customers remaining on Columbia's traditional tariff sales service is
14 one that Columbia has addressed from the initiation of its program. Columbia's current plan
15 design successfully avoids any negative effect on remaining Columbia sales customers.

16
17 **Q: What lessons has Columbia learned from its experience?**

18 A: The history of Columbia's program has been a learning experience, with adjustments and
19 changes over time. The most important lesson Columbia has learned is that a utility must be
20 able to develop its service offerings to fit the unique operational characteristics of that LDC.
21 Columbia has learned how to manage its program and believes its current program is func-
22 tioning reliably. To eliminate stranded costs, Columbia has learned that a flexible approach
23 to assignment of pipeline capacity to Marketers is not viable.

1 Another important lesson learned has been that it is imperative that the responsibility
2 of contracting for upstream pipeline capacity required for the reliable firm delivery of gas
3 supplies to firm customers continue to be determined by, and remain, with Columbia. First,
4 it is imperative that the firm requirements of these small customers are not put at risk due to
5 the short-term contracting decisions of third-party suppliers that may enter or leave a pro-
6 gram at any time, bringing their firm capacity with them when they come and taking it with
7 them when they go. Second, if for any reason a marketer's contracts are terminated or oth-
8 erwise are not contracted for or renewed, the interstate pipeline's obligation to serve the Co-
9 lumbia market on a firm basis goes away. When this happens, the pipeline(s) will utilize
10 their pipeline capacity, originally meant to provide service to Columbia, to sell firm services
11 to others. This reconfiguring of firm capacity rights could result in capacity no longer being
12 available to Columbia or other marketers trying to serve Columbia distribution customers.
13 This can occur even though the physical size of the pipelines itself has not changed.

14 Attendant to these points is the complexity of Columbia's distribution system and
15 the large number of interstate pipeline interconnections at which delivery entitlements must
16 be maintained in order to ensure service reliability. Columbia receives natural gas supplies
17 from interstate pipeline companies at over 120 separate interconnects, or points of receipt,
18 which for each the delivery obligations by upstream pipelines must be maintained. Colum-
19 bia is the only party that is able to fully understand the demands and obligations at each of
20 these points of receipt and given the large number of receipt points it becomes obvious that
21 managing delivery obligations through the contracting practices of multiple parties that may
22 come and go at will is not practical.

1 Therefore, the lesson learned is that Columbia retains the responsibility of reviewing
2 the firm needs of its customers and continues to be responsible for designing and contracting
3 for its upstream firm pipeline transportation and storage rights. That approach is best suited
4 to meet the requirement that CHOICE marketers are assigned portions of that capacity to
5 serve customers that may move between CHOICE marketers and Columbia's sales service
6 in a manner that eliminates stranded costs. Taken together, these two steps go a long way
7 toward the need to maintain system integrity of the distribution system and reliable com-
8 modity service for the customers.

9
10 **Q: What has been the history of marketer participation in Columbia's program?**

11 A: At the beginning of Columbia's Choice Program we experienced significant marketer
12 interest and participation volatility. Columbia initiated the Choice program effective No-
13 vember 2000 with two participating marketers. Over the next four months four additional
14 marketers joined the program. However, during this same time frame two marketers
15 were terminated from the program for failing to deliver supplies to Columbia while an-
16 other marketer voluntarily returned their customers to Columbia and was subsequently
17 terminated effective April 2001. Over the ensuing months and years several additional
18 marketers have joined while others have ceased participation or have been acquired by
19 other participating marketers. Over the history of Columbia's Choice program the num-
20 ber of participating marketers has ranged from 2 to 5, which is the current number of par-
21 ticipants..

1 **Q: What has been the history of customer participation in Columbia’s program?**

2 A: Customer participation has varied over the years – as high as almost 40% of eligible cus-
3 tomers and currently with 25% of eligible customers participating in the program. Customer
4 participation began in November 2000 with 430 customers enrolled in the program. Partici-
5 pation quickly jumped to 14,599 the next month, then dropped slightly the third month of
6 the program, almost doubled between the fourth and fifth months of the program and then
7 began a steady monthly increase until reaching an all-time high of 52, 649 participating cus-
8 tomers in January 2002. Customer participation then slowly declined reaching a low of
9 28,887 participants in March 2008 and has since grown to the most recent participation of
10 32,047 customers in April 2010.

11

12 **Q: How have the lessons learned from Columbia’s experience been applied?**

13 A: The lessons learned from Columbia’s experience are entrenched in the design and operation
14 of its current CHOICE program and set forth in its tariff, approved by the Commission, and
15 attached hereto as Exhibit 1.

16

17 **Q: The Order of the Commission establishing this case referred to three subjects that**
18 **should broadly be considered concerning the relationships between existing LDCs,**
19 **third-party suppliers, retail customers and the Commission. How does Columbia’s**
20 **Customer Choice program address the relationship questions of the Commission?**

21 A: Columbia’s tariff sets forth the rules of its Customer Choice program and Columbia is
22 responsible for ensuring that all participants operate in compliance with the rules of the
23 program as set forth in the tariff. The relationship between LDCs and third-party suppli-

1 ers is governed by tariffs that have been approved by the Commission and contracts, pur-
2 suant to the tariffs, executed between Columbia and each individual third party supplier.
3 The relationship between third-party suppliers and retail customers whom the suppliers
4 hope to serve is governed by Columbia's tariff and additionally by the consumer protec-
5 tion laws in force in the Commonwealth. Some parts of the relationship between third-
6 party suppliers and potential retail customers, such as fixed or variable pricing, actual
7 price per Mcf, and term of any contract, are not regulated but are established in the com-
8 petitive market. The relationship between third-party suppliers and the Commission is
9 set forth in Columbia's tariff. The Commission thus has implicit oversight of all the par-
10 ticipants via its regulation of Columbia who remains answerable to the Commission.

11
12 **Q: Please explain how Columbia's tariff governs the relationship between the LDC and**
13 **third party suppliers.**

14 A: The tariff requires third party suppliers to submit to a Marketer Certification process to
15 satisfactorily determine that the supplier has the adequate managerial, financial and tech-
16 nical abilities to provide the service it intends to offer, to undergo a determination of
17 credit worthiness by Columbia, and to execute a contract with Columbia that reiterates
18 the provisions of Columbia's tariff. Upon approval of a third party supplier as a partici-
19 pating marketers in the Choice program, Columbia is required to provide the Commission
20 the name and address of marketer, contact person for dispute resolution, a copy of the
21 marketer's dispute resolution procedures, certification that the marketer is creditworthy, a
22 copy of the marketer's standard contract and a signed copy of the Aggregation Agree-
23 ment between Columbia and the marketer

1 All operational aspects of the Small Volume Aggregation Service that allows par-
2 ticipating marketers to deliver natural gas supplies to Columbia to satisfy the require-
3 ments of customers receiving small volume transportation service are set forth in Colum-
4 bia's tariff. This includes the determination of the daily delivery requirements, balancing
5 of daily delivery requirements and customer consumption, assignment of capacity, billing
6 and payments.

7
8 **Q: Please explain how Columbia's tariff governs the relationship between third-party**
9 **suppliers and the retail customers suppliers hope to serve.**

10 A: The tariff sets forth a Code of Conduct to which participating marketers are required to
11 abide. The Code of Conduct directs consumer protections that include requirements such
12 as customer communications that must be in clear and concise language. That means, for
13 example, to allow for a standard basis of comparison, rates must be stated on a per Mcf
14 basis. The Code of Conduct prohibits marketers from excluding any eligible Columbia
15 customer as long as the marketer has an offer of gas available and sets out specific re-
16 quirements for marketer notification to customers regarding automatic contract renewals.
17 The provisions by which a marketer may enroll a customer are set forth in the tariff and
18 enumerated specifically by written, telephone and internet enrollment. The tariff also
19 contains specific Dispute Resolution procedures requiring the marketer to cooperate with
20 Columbia and the Kentucky Public Service Commission to answer inquiries and resolve
21 disputes for customers receiving transportation service and further allows that complaints
22 may be brought to the Commission through its normal complaint handling procedures.

1 Once enrolled, a CHOICE customer is accorded the same service and consumer
2 protections as a Columbia sales service customer. All the governing provisions in the
3 General Terms and Conditions of Columbia's tariff including meter reading, billing,
4 payment, late payments, customer deposits, budget payments, disconnections/termination
5 of service and reconnection of service apply equally to all of Columbia's customers re-
6 gardless of whether the customer obtains commodity supply from a participating
7 CHOICE marketer or Columbia's tariff sales service.

8
9 **Q: Please explain how Columbia's tariff governs the relationship between third-party**
10 **suppliers and the Commission as the regulatory authority for such third parties?**

11 A: As the Commission has previously found in approving Columbia's tariffs, Columbia re-
12 tains the authority to suspend or terminate a supplier's participation in the Customer
13 Choice program and, to the extent that Columbia retains ultimate responsibility for the
14 provision of gas to customers pursuant to the program and control over the provision of
15 gas by the marketers, the Commission's statutory directive is fulfilled by its regulation of
16 Columbia.

17
18 **Q; Would Columbia's CHOICE program be suitable for all natural gas distribution**
19 **utilities in Kentucky?**

20 A: Some elements of Columbia's program could be pertinent for all distribution utilities in
21 Kentucky, but the design of any particular program should be unique to the characteris-
22 tics of each individual utility.

1 For example, the design of Columbia's program is not an exact copy of the retail
2 unbundling program of any other utility in any other state. For customers, the advantages
3 of a retail unbundling program are more similar; that is, the opportunity to choose an al-
4 ternate commodity supplier resulting in greater control over their gas service with the
5 possibilities of gaining price predictability, savings and/or stability.

6 Columbia does not believe that the relationship between LDCs and third-party
7 suppliers of the natural gas commodity should be mandated by blanket regulation, nor,
8 should the relationship between third-party suppliers and the retail customers they hope
9 to serve. The relationship between third-party suppliers and the Commission may be
10 governed by the Commission's authority over the LDCs but is the one area where Co-
11 lumbia believes further steps to define the relationship could be broadly applied.

12
13 **Q If the General Assembly or Commission take steps to more broadly formalize the**
14 **relationship between third-party suppliers and the Commission, what should be in-**
15 **cluded?**

16 A: Any action to require Commission certification of a third-party supplier to participate in
17 an LDC retail natural gas program should be dependent upon the desiring third-party
18 supplier meeting the certification and participation requirements of the individual LDC
19 tariff. The desiring third-party supplier should be required to provide proof of Commis-
20 sion certification to the LDC.

21
22 **Q: Does this complete your Prepared Direct testimony?**

23 A: Yes, however, I reserve the right to file rebuttal testimony if necessary.

Case No. 2010-00146
Columbia Gas of Kentucky, Inc.
Testimony of Judy M. Cooper

Exhibit 1

COLUMBIA GAS OF KENTUCKY, INC.

P.S.C. Ky. No. 5

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

APPLICABILITY

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

AVAILABILITY

Available to Marketers certified to deliver natural gas, on a firm basis, to the Company's city gates on behalf of customers receiving transportation service under Columbia's Small Volume Transportation Service Rate Schedule provided Marketer has an Aggregation Pool consisting of either: (a) a minimum of 100 customers; or (b) a customer or a group of customers with a minimum annual throughput of 10,000 Mcf. Service hereunder allows Marketers to deliver to Company, on an aggregated basis, those natural gas supplies that are needed to satisfy the requirements of customers participating in Columbia's small volume transportation service program.

MARKETER CERTIFICATION

Marketers will be certified by Columbia to offer supply of natural gas to customers choosing service under Rate Schedule SVGTS provided they meet the following requirements:

1. Satisfactory determination of adequate managerial, financial and technical abilities to provide the service Marketer intends to offer;
2. Satisfactory completion of a determination of credit worthiness by Columbia;
3. Execution of a contract with Columbia for Small Volume Aggregation Service;
4. Marketer agrees to accept assignment of upstream pipeline firm transportation services capacity (FTS) in an amount equal to the Marketer's Daily Delivery Requirement as defined herein;
5. Marketer agrees to abide by the Code of Conduct as set forth herein; Columbia agrees to abide by the Standards of Conduct as set forth herein;
6. Marketer agrees to flow gas in accordance with the Marketer's Daily Delivery Requirement provided by Columbia.

AGGREGATION POOL

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

DATE OF ISSUE: November 21, 2008

DATE EFFECTIVE: November 7, 2008

ISSUED BY: Herbert A Miller, Jr. President

Issued by authority of an Order of the Public Service Commission in Case No. 2008-00195 dated November 7, 2008

COLUMBIA GAS OF KENTUCKY, INC.

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

MARKETER CHARGE

Each Marketer shall pay Columbia \$0.05 per Mcf for all volumes delivered to the Marketer's Aggregation Pool during each billing month.

BALANCING CHARGE

Columbia will provide the Marketer with a Balancing Service on a daily and seasonal basis that balances the Marketer's Daily Demand Requirements and the consumption of the Marketer's Aggregation Pool. The Marketer shall pay Columbia a throughput-based Balancing Charge equal to the Purchased Gas Demand Cost less a credit for assigned capacity as set forth below.

The Purchased Gas Demand Cost is the Demand Rate Component of Columbia's most recent Gas Cost Adjustment Clause report. The credit is the projected annual cost of assigned FTS capacity less estimated annual storage commodity costs (storage injection, withdrawal, shrinkage, and commodity transportation cost) divided by the estimated, annualized usage of customers served under Rate Schedule SVGTS.

The charge set forth on Sheet No. 7a shall be calculated quarterly in accordance with Columbia's Gas Cost Adjustment Clause report.

DAILY DELIVERY REQUIREMENT

Columbia shall calculate the Daily Delivery Requirement for each Marketer's Aggregation Pool on or about the 20th of each month. The Daily Delivery Requirement shall be calculated by Columbia by determining the estimate of the normalized annual consumption of all Customers that will be in the Marketer's Aggregation Pool during the following month, and dividing that aggregate sum by 365. Columbia shall convert the quotient to a Dth basis using Columbia's annual average Btu Content, and shall adjust for Company Use and Unaccounted For. The resultant quantity shall be the Daily Delivery Requirement for each Marketer's Aggregation Pool.

Columbia may reduce the Daily Delivery Requirement in the months of October, November and April to meet operation needs. Marketers are required to deliver gas supplies to Columbia at the Primary Firm City Gate Delivery Points designated in the Marketer's assigned firm transportation capacity on a daily basis, in an amount equal to the Daily Delivery Requirement of the Marketer's Aggregation Pool, unless directed otherwise by Columbia. In order to support reliable service on Columbia's system, Columbia may require the marketer to deliver gas to a secondary delivery point.

If, on any day, a Marketer delivers gas supply that is either greater or less than its Daily Delivery Requirement the Marketer will be charged a fee equal to 30% of the price reported in Platts Gas Daily in the Daily Price Survey titled "Prices of Spot Gas Delivered to Pipelines", under the column heading "Midpoint" for "Columbia Gas, Appalachia," adjusted for Columbia Gas Transmission Corporation's FTS Retainage, and commodity charges for the day in question, multiplied by the difference in Dth, plus a charge for all other costs incurred by Columbia that result from the Marketer's failure to deliver gas as required, including a proportionate share of any pipeline penalties and/or costs

DATE OF ISSUE: September 10, 2007

DATE EFFECTIVE: August 29, 2007

ISSUED BY: Herbert A. Miller, Jr.

President

COLUMBIA GAS OF KENTUCKY, INC.**SMALL VOLUME AGGREGATION SERVICE
(SVAS)
RATE SCHEDULE (Continued)****DAILY DELIVERY REQUIREMENT (con't)**

resulting from efforts to increase or decrease gas supply on the system incurred by Columbia. These fees and charges do not reflect the purchase or sale of gas and will not impact the volumes considered in the annual reconciliation.

In addition to the fees and charges set forth in this rate schedule, on any day during which Columbia has a limitation or interruption in effect for transportation or interruptible customers, failure by Marketer to deliver according to the Daily Delivery Requirement will result in an additional penalty charge to the Marketer equal to twenty-five dollars (\$25) multiplied by the difference in Dth between the Marketer's Daily Delivery Requirement and the Marketer's actual deliveries on that day.

ASSIGNMENT OF FIRM CAPACITY

Columbia will assign a pro-rate share of its firm contracted capacity under Columbia Gas Transmission Corporation's Rate Schedule FTS, Columbia Gulf Transmission Corporation's Rate Schedule FTS-1, Tennessee Gas Pipeline Rate Schedule FT-A, and Central Kentucky Transmission Rate Schedule FTS (collectively "FTS"). The Marketer agrees to accept assignment of said FTS in an amount equal to the Marketer's Daily Delivery Requirement at Columbia's city gate.

Each month, when the Daily Delivery Requirement is determined for the following month, Columbia will assign to the Marketers its prorata share of Columbia's upstream FTS capacity for the marketer to use in the following month. Marketers that receive assigned FTS capacity by Columbia are subject to the terms and conditions of the tariffs of those pipeline companies on whose facilities capacity is assigned.

Columbia may recall any FTS capacity assigned to Marketer pursuant to this rate schedule in order to assure reliable service to customers in any instance where a Marketer fails to deliver the Daily Delivery Requirement of its Aggregation Pool.

Marketer shall provide the necessary assistance required to complete the mandatory firm capacity assignment transactions.

DATE OF ISSUE: April 12, 2005**DATE EFFECTIVE:** April 1, 2005**ISSUED BY:** Joseph W. Kelly

President

COLUMBIA GAS OF KENTUCKY, INC.

P.S.C. Ky. No. 5

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

SCHEDULING DELIVERIES

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

ANNUAL IMBALANCE RECONCILIATION

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

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

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

The first reconciliation period shall be the eight-month period ending March 31, 2005. The second reconciliation period shall be the sixteen-month period ending July 31, 2006. Thereafter, the reconciliation period shall end on July 31 of each year, except that, should the effective date of this tariff not continue past March 31, 2011, the final reconciliation period will be an eight-month period ending on March 31, 2011.

DATE OF ISSUE: November 21, 2008

DATE EFFECTIVE: November 7, 2008

ISSUED BY: Herbert A Miller, Jr. President

Issued by authority of an Order of the Public Service Commission in Case No. 2008-00195 dated November 7, 2008

COLUMBIA GAS OF KENTUCKY, INC.

P.S.C. Ky. No. 5

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

SHEETS 36 a THROUGH 36 f ARE CANCELLED AND WITHDRAWN

DATE OF ISSUE: April 12, 2005

DATE EFFECTIVE: April 1, 2005

ISSUED BY: Joseph W. Kelly

President

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

COLUMBIA GAS OF KENTUCKY, INC.

**GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS
APPLICABLE TO
SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)**

CODE OF CONDUCT

Each Marketer participating in Columbia's Small Volume Gas Transportation Service program shall:

1. Communicate to customers, in clear understandable terms, the customers' rights and responsibilities. This communication shall include: (a) the Marketer's customer service address and telephone number; (b) a statement describing the Marketer's dispute resolution procedures; (c) a statement that the Marketer must provide the customer with thirty (30) days written notice prior to discontinuing service; and (d) notice that the program is subject to ongoing Commission jurisdiction.
2. Provide in writing to customers pricing and payment terms that are clear and understandable. This should include an explanation for the customer to allow them to compare the offer to Columbia's Gas Cost Adjustment rate exclusive of taxes and delivery charges.
3. Accept any Columbia customer eligible for Rate Schedule Small Volume Aggregation Service that seeks to enroll, and offer -at least one billing rate available to all eligible customers if Marketer is accepting new/renewed customers.
4. Refrain from engaging in communications or practices with customers which are fraudulent, deceptive, or misleading;
5. Deliver gas to Columbia on a firm basis on behalf of the Marketer's participating customers.
6. Undergo a credit evaluation, at the Marketer's expense, to assure that the Marketer is sufficiently credit-worthy to protect against damages resulting from any failure to deliver gas.
7. Provide customers a "regulatory out" provision in all contracts which allows contracts to be terminated without penalty should the small volume gas transportation program be terminated prior to the end of the contract.
8. Provide Columbia and customers at least thirty (30) days notice prior to the end of the customer contract term of the Marketer's intent to discontinue service to the customer.
9. To the maximum extent possible attempt to resolve disputes between the Marketer and its customers.

DATE OF ISSUE: April 12, 2005

DATE EFFECTIVE: April 1, 2005

ISSUED BY: Joseph W. Kelly

President

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

COLUMBIA GAS OF KENTUCKY, INC.**GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS
APPLICABLE TO
SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)****CODE OF CONDUCT - Continued**

10. No less than sixty (60) days and no more than ninety (90) days prior to the expiration of a contract that automatically renews for period of six (6) months or longer, the Marketer shall notify the customer of their right to renew, terminate or renegotiate the contract. Such notice shall include any proposed changes in the terms and conditions of the contract.

If a Marketer fails to deliver gas in accordance with the requirements of the program, Columbia shall have the power, in its sole discretion, to suspend temporarily or terminate such Marketer's participation in the program. If the Marketer is expelled from the program, customers in the Marketer's Aggregation Pool shall revert to Columbia sales service, unless and until said customers join another Marketer Aggregation Pool. Upon termination of a Marketer, Columbia shall notify Marketer's customers of the action and advise said customers that they have been returned to traditional sales service as of a date certain. The customers shall be informed of their opportunity to choose another Marketer and the options for enrollment.

In the event Columbia seeks to suspend or terminate a Marketer from the program, Columbia shall first notify the Marketer of the alleged violations which merit suspension or termination. Such notice shall be in writing and sent ten business days prior to the suspension or termination. Copies of the notice will also be provided to the Commission.

CREDIT WORTHINESS

Marketers will be evaluated to establish credit levels acceptable to Columbia. Marketers not meeting the necessary credit level will be required, at Columbia's option, to provide additional security in the form of an irrevocable letter of credit, cash deposit, and/or appropriate guaranty to be certified.

Marketers are required to provide the following information for evaluation:

1. Most recent audited financial statements;
2. Most recent annual report to shareholders, 10K or 10Q, if applicable;
3. IRS Form 990 (for Non-Profit Corporations), if applicable;
4. List of parent company and affiliates;
5. Names, addresses, and telephone numbers of three (3) trade references; and
6. Names, addresses, and telephone numbers of banking institution contacts.

DATE OF ISSUE: April 12, 2005**DATE EFFECTIVE:** April 1, 2005**ISSUED BY:** Joseph W. Kelly

President

COLUMBIA GAS OF KENTUCKY, INC.

**GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS
APPLICABLE TO
SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)**

CREDIT WORTHINESS -Continued

The evaluation will be based on standard credit factors such as previous customer history, Dun & Bradstreet financial and credit ratings, trade references, bank information, unused line of credit, and financial information. Based on the number of standard credit factors met by the Marketer, Columbia will assign a dollar credit level range for each Marketer. Columbia shall have sole discretion to determine credit worthiness but will not deny credit worthiness without reasonable cause.

A fee of \$50 will be assessed for each evaluation. Columbia reserves the right to conduct further evaluations during the course of the program when information has been received by Columbia that indicates the credit worthiness of a Marketer may have deteriorated or that the Marketer's program is exceeding the credit level range previously approved by Columbia. Columbia will review each Marketer's program no less often than monthly, and will compare each Marketer's program against its previously assigned credit level range. Columbia will reevaluate each Marketer's overall credit worthiness on an annual basis. Marketers whose programs exceed the assigned credit level range will be required, at Columbia's option, to provide additional security in the form of an irrevocable letter of credit, cash deposit, and/or appropriate guaranty in order to continue to participate in the program beyond the last established credit level or to enroll additional customers. If additional security is provided by a Marketer, Columbia will assign a new credit level range for the Marketer.

CUSTOMER ENROLLMENT PROCEDURES

A customer may enroll by any one of the following means: written, telephone or internet.

Written Enrollment

Customers may enroll in the program by having the customer of record whose name is on the gas account execute a written consent form on a document supplied by the Marketer. A sample consent form is at the end of this section. At a minimum, the consent form is to indicate that the customer has a written agreement with the Marketer, desires to participate in this program, and authorizes the Marketer to obtain from Columbia Gas of Kentucky gas usage data on the customer's account. The format of the consent form may be designed by the Marketer, but must include the information shown on the sample.

The written agreement with the Marketer must state the terms and conditions covering the customer's gas supply purchase in legible print and must include the following information:

1. In clear understandable terms, the customer's rights and responsibilities. The Marketer's customer service address and telephone number; a statement describing the Marketer's dispute resolution procedures; a statement that the Marketer must provide the customer with 30 days written notice prior to discontinuing service.

DATE OF ISSUE: April 12, 2005

DATE EFFECTIVE: April 1, 2005

ISSUED BY: Joseph W. Kelly

President

COLUMBIA GAS OF KENTUCKY, INC.

P.S.C. Ky. No. 5

**GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS
APPLICABLE TO
SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)**

Written Enrollment -Continued

2. Written pricing and payment terms that are clear and understandable.
3. Notification of the customer's right to terminate or renegotiate their gas supply contract.
4. Notice that the Marketer will provide Columbia Gas of Kentucky and the customer at least 30 days notice prior to the end of the customer contract term, if one exists, of the Marketer's intent to discontinue service to the customer.
5. A local or toll-free telephone number for customers to obtain information on their account and a method to resolve disputes with the Marketer. The Marketer shall provide a copy of the method to resolve disputes to Columbia Gas of Kentucky and the Kentucky Public Service Commission and the name and phone number of a contact person from the Marketer whom Columbia or the Commission may contact concerning customer complaints.

Telephone Enrollment

In the alternative, Marketers may telephonically enroll customers under the following conditions:

1. While engaged in a telephone conversation with a potential customer, the Marketer must audio-tape in a date-stamped recording the complete conversation, including the following information;
 - (a) the telephone conversation between the customer and Marketer is being recorded;
 - (b) the customer either:
 - (1) has reviewed the terms and conditions of the Marketer's offer and that the written terms and conditions constitute the entire agreement between the Marketer and the customer; or,
 - (2) has reviewed orally with the Marketer the terms and conditions of the Marketer's offer, and agrees to enroll in the program subject to the Marketer mailing the customer an enrollment confirmation letter containing the terms and conditions of the offer within three business days, and that the written terms and conditions constitute the entire agreement between the Marketer and the customer;
 - (c) the customer wants to enroll with the Marketer;
 - (d) the customer's name;
 - (e) the customer's telephone number;

DATE OF ISSUE: April 12, 2005

DATE EFFECTIVE: April 1, 2005

ISSUED BY: Joseph W. Kelly

President

**GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS
APPLICABLE TO
SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)**

Telephone Enrollment - Continued

- (f) the customer's mailing address;
 - (g) the customer's Columbia Gas of Kentucky account number; and,
 - (h) the appropriate enrollment cancellation period and a toll-free telephone number the customer may call to cancel enrollment:
 - (1) For customers enrolled pursuant to 1.(b) (1) the cancellation period is seven days from the date on which the customer in enrolled telephonically; or,
 - (2) For customers enrolled pursuant to 1.(b) (2) the Marketer must state that the Marketer will mail an enrollment confirmation letter containing the written terms and conditions to the customer and that the customer has seven days from receipt of the Marketer's confirmation letter to cancel enrollment.
 - (3) The customer must be advised that if the contract is cancelled by the customer, the Marketer will provide the customer with a cancellation number.
2. Following enrollment by telephone, the Marketer must mail to the customer at the address verified by the inquiry, a letter confirming the customer's enrollment. This letter must contain a copy of the identical terms and conditions of the Marketer's offer. The letter must also conspicuously inform the customer of the right to cancel enrollment by calling a prescribed toll-free number within seven business days of receiving said letter of confirmation, and must inform the customer that if the contract is canceled the Marketer will provide the customer with a cancellation number.

Internet Enrollment

As another alternative, Marketers may enroll customers via the Internet provided that the terms and conditions of agreement are publicly posted and accessible and include the information as set forth in Written Enrollment above. The terms of the electronic publicly posted Internet agreement also shall state conspicuously that the customer has seven business days from the date on which the customer is enrolled via the Internet to cancel the agreement and shall provide a toll-free telephone number and/or an Internet or e-mail means for the customer to cancel the agreement within this period of time. The agreement shall state that if the customer cancels the agreement, the Marketer will provide the customer a cancellation number. Internet enrollment will be permitted under the following conditions:

- 1. All Internet enrollment procedures shall be customer-initiated;

DATE OF ISSUE: April 12, 2005

DATE EFFECTIVE: April 1, 2005

ISSUED BY: Joseph W. Kelly

President

**GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS
APPLICABLE TO
SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)**

CUSTOMER ENROLLMENT PROCEDURES - Continued

Internet Enrollment

As another alternative, Marketers may enroll customers via the Internet provided that the terms and conditions of agreement are publicly posted and accessible and include the information as set forth above for written enrollment. The terms of the electronic public posted Internet agreement also shall state conspicuously that the customer has seven business days from the date on which the customer is enrolled via the Internet to cancel the agreement and shall provide a toll-free telephone number and/or an Internet or e-mail means for the customer to cancel the agreement within this period of time. The agreement shall state that if the customer cancels the agreement, the Marketer will provide the customer a cancellation number. Internet enrollment will be permitted under the following conditions:

1. All Internet enrollment procedures shall be customer-initiated;
2. The means of enrollment, renewal, renegotiation and cancellation information transfer between the customer and Marketer is an encrypted transaction using Secure Socket Layer or a similar encryption standard to ensure privacy of customer information;
3. Any electronic agreement containing a Marketer's terms and conditions shall be identified by a version number in order to ensure the ability to verify the particular agreement to which the customer assents;
4. The Marketer shall retain and make available to the customer throughout the duration of the agreement Internet access to terms and conditions of the agreement version number to which the customer assents;
5. Before a marketer may enroll a customer, the Marketer's Internet enrollment process must:
 - (a) prompt the customer to print or save the terms and conditions to which the customer assents, and provide an option to have written terms and conditions sent by regular mail.
 - (b) Require the customer to complete an Electronic Customer Consent Form in a format retrievable by the Marketer, containing a statement that comports with the following;

I have agreed to the terms and conditions contained in electronic agreement version number _____ for the purchase of natural gas supply from my marketer. I understand and agree to those terms and conditions, which are incorporated herein by reference, and agree to participate in the program as a transportation delivery service customer. My Marketer is entitled to obtain my historic and current gas usage data from Columbia Gas of Kentucky.

Date _____
 Columbia Gas of Kentucky Account Holder
 Name: _____
 Columbia Gas of Kentucky Account Number
 Account No.: _____
 Columbia Gas of Kentucky Account Holder E-Mail
 Address: _____ (optional)
 Columbia Gas of Kentucky Account Holder U.S. Mail
 Address: _____

COLUMBIA GAS OF KENTUCKY, INC.**GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS****APPLICABLE TO****SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)****Internet Enrollment - continued**

Marketers must provide a copy of each Customer Consent Form or audio tape of telephone enrollment recording to Columbia or the Kentucky Public Service Commission within seven business days of any such request. With Internet enrollments Marketers must provide either a copy of the Electronic Customer Consent form or on-line access to verify customer enrollment to Columbia or the Kentucky Public Service Commission within seven business days of any such request. Failure by a Marketer to provide timely such records shall be deemed to be a violation of the Code of Conduct and shall cause the customer to be returned to Columbia's sales service tariff and a \$50.00 fee shall be paid by the Marketer to the Company and a \$50.00 fee shall be paid by the Marketer to the customer.

Marketers shall retain Customer Consent Forms, telephone enrollment recordings, electronic consent forms and on-line access to verification of enrollment for twelve months following termination of the Marketer's service to the customer.

Marketers may add customers to their Aggregation Pool on a monthly basis. Marketers shall notify Columbia by the 15th day of the prior month the accounts for which they will be supplying the commodity in the next month. (i.e. by November 15 for deliveries beginning December 1). Marketers will provide a computer spreadsheet listing all of their accounts via electronic means suitable to Columbia Gas of Kentucky. The listing shall include customer account numbers. The Marketer will be responsible for verifying the eligibility of each customer. Any incomplete submittal will be returned to the Marketer for completion. Columbia will verify the listing with its database and then provide the Marketer a Daily Delivery Requirement for the customers in the aggregate as well as an exceptions report. In the event that a customer attempts to join more than one Aggregation Pool, with more than one Marketer, Columbia Gas of Kentucky will assign the customer to the Marketer whose computer listing which includes the customer has been date-stamped first. Once enrolled with a Marketer and verified by Columbia, the Marketer shall send the customer a letter confirming the customer's choice of Marketer and stating the effective date. Whenever customers switch Marketers, the newly chosen Marketer shall send a letter confirming the customer's choice of a new Marketer.

BILLING

Columbia will bill according to the Marketer billing option by Aggregation Pool. Columbia will include a statement on the customer's bill indicating the customer's participation in the program and stating the Marketer with whom the customer is enrolled. The rate for billing shall be \$0.20 per account, per month. Such fee shall be deducted from the amount remitted each month to the Marketer for its revenues.

PAYMENT TO MARKETER

Columbia will issue a check to the Marketer by the last business day of the following calendar month for 98% of the Marketer's revenues from the previous billing month less the cost for billing and any other outstanding balances Marketer owes Columbia. The revenues will be based on actual deliveries to customers served under Rate Schedule SVGTS and the Marketer's current month billing rate. Customers' volumes will be considered actual volumes whether the meter reading is actual or calculated. Columbia will thereafter assume the risk of collecting payment for the gas commodity from small volume transportation customers.

DATE OF ISSUE: September 10, 2007**DATE EFFECTIVE:** August 29, 2007**ISSUED BY:** Herbert A. Miller, Jr.

President

COLUMBIA GAS OF KENTUCKY, INC.

**GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS
APPLICABLE TO
SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)**

HEAT CONTENT ADJUSTMENT

When Company receives Marketer's gas from an interstate pipeline on a dekatherm (one million Btu) basis, Company will make a heat content adjustment based on the Company's average Btu value in order to deliver to customer volumes of gas, in Mcf, equal in heat content to the gas delivered to Company for the customer.

MEASUREMENT AT POINT(S) OF RECEIPT WITH AN INTERSTATE PIPELINE

When Company receives Marketer's gas at point(s) of receipt with an interstate pipeline, all measurement shall be performed in accordance with the terms of Company's agreement with that interstate pipeline.

DATE OF ISSUE: April 12, 2005

DATE EFFECTIVE: April 1, 2005

ISSUED BY: Joseph W. Kelly

President

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

COLUMBIA GAS OF KENTUCKY, INC.

P.S.C. Ky. No. 5

**GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS
APPLICABLE TO
SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)**

QUALITY OF GAS DELIVERED TO COMPANY

Gas delivered by or on behalf of Marketer to Company shall conform to interstate pipeline gas quality standards.

WARRANTY OF TITLE

Marketer warrants that it will have good and merchantable title to all natural gas delivered to Company for redelivery to customer(s), that such gas will be free and clear of all liens, encumbrances and claims whatsoever, and that it will indemnify Company and hold it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any and all persons to said gas.

CHARGES FOR THIRD PARTY SERVICE

If furnishing service to customer pursuant to this tariff requires Company to use transportation service provided by another entity, any cost incurred by, or billed to Company with regard thereto, shall be charged to Marketer by Company and paid by Marketer. Such costs shall include, without limitation, transportation or delivery charges, retainage for Company use and unaccounted-for gas, and penalties incurred as a result of gas volume imbalances or other factors set forth in the applicable rate schedule or contract of such other entity

FORCE MAJEURE

Neither Company nor Marketer 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 Marketer, 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 will 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.

DATE OF ISSUE: April 12, 2005

DATE EFFECTIVE: April 1, 2005

ISSUED BY: Joseph W. Kelly

President

COLUMBIA GAS OF KENTUCKY, INC.

P.S.C. Ky. No. 5

**GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS
APPLICABLE TO
SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)**

DISPUTE RESOLUTION

Each Marketer shall cooperate with Columbia and the Kentucky Public Service Commission to answer inquiries and resolve disputes for customers served under Columbia's Small Volume Gas Transportation Service Rate Schedule. As part of this ongoing cooperation the following is required:

1. Marketer must provide a local or toll-free telephone number for customers to obtain information on their account and a method to resolve disputes with the Marketer. The Marketer shall provide a copy of the method to resolve disputes to Columbia and the Commission along with the name and phone number of a contact person from the Marketer whom the Commission and Columbia may contact concerning customer complaints and who has the authority to resolve complaints.
2. Marketer will, upon request by Columbia or the Commission, provide copies of all informational materials and standard contracts, including updates to these materials if substantially changed. Marketer will also provide copies of individual contracts as needed in order to resolve customer complaints.
3. Each Marketer shall cooperate with Columbia and the Commission to answer inquiries and resolve disputes. If a Marketer fails to negotiate or resolve customer disputes that arise from the customer's contract, complaints may be brought to the Commission through its normal complaint handling procedures.

STANDARDS OF CONDUCT

Columbia will adhere to the following Standards of Conduct for Marketing Affiliates and Internal Merchant Operations:

1. Columbia must apply any tariff provision relating to transportation services in the same manner to the same or similarly situated persons if there is discretion in the application of the provision.
2. Columbia must strictly enforce a tariff provision for which there is no discretion in the application of the provision.
3. Columbia may not, through a tariff provision or otherwise, give any Marketer or any Marketer's customers preference in matters, rates, information, or charges relating to transportation service including, but not limited to, scheduling, balancing, metering, storage, standby service or curtailment policy. For purposes of Columbia's program, any ancillary service provided by Columbia that is not tariffed will be priced uniformly for all Marketers and available to all equally.
4. Columbia must process all similar requests for transportation in the same manner and within the same approximate period of time.

DATE OF ISSUE: April 12, 2005

DATE EFFECTIVE: April 1, 2005

ISSUED BY: Joseph W. Kelly

President

COLUMBIA GAS OF KENTUCKY, INC.

P.S.C. Ky. No. 5

**GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS
APPLICABLE TO
SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)**

STANDARDS OF CONDUCT – Continued

5. Columbia shall not disclose to anyone other than a Columbia Gas of Kentucky employee any information regarding an existing or proposed gas transportation arrangement, which Columbia receives from: (i) a customer or Marketer, (ii) a potential customer or Marketer, (iii) any agent of such customer or potential customer, or (iv) a Marketer or other entity seeking to supply gas to a customer or potential customer, unless such customer, agent, or Marketer authorizes disclosure of such information in writing.
6. If a customer requests information about Marketers, Columbia should provide a list of all Marketers operating on its system, but shall not endorse any Marketer nor indicate a preference for any Marketer.
7. Before making customer lists available to any Marketer, Columbia will use electronic mail to provide notice to all Marketers of its intent to make such customer list available. The notice shall describe the date the customer list will be made available, which shall in no case be less than three working days after the date of the notice, and the method and terms under which the customer list will be made available to all Marketers.
8. To the maximum extent practicable, Columbia's operating employees and the operating employees of its marketing affiliate must function independently of each other. This includes complete separation of the regulated utility Company's procurement activities from the affiliated marketing company's procurement activities.
9. Columbia shall not condition or tie its agreements for gas supply or for the release of interstate pipeline capacity to any agreement by a gas supplier, customer or other third party in which its marketing affiliate is involved.
10. Columbia and its marketing affiliate shall keep separate books of accounts and records.
11. Neither Columbia nor its marketing affiliate personnel shall communicate to any customer, marketer or third party the idea that any advantage might accrue for such customer, marketer or third party in the use of Columbia's service as a result of that customer's marketer's or other third party's dealing with its marketing affiliate.

DATE OF ISSUE: April 12, 2005

DATE EFFECTIVE: April 1, 2005

ISSUED BY: Joseph W. Kelly

President

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

COLUMBIA GAS OF KENTUCKY, INC.

**GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS
APPLICABLE TO
SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)**

STANDARDS OF CONDUCT - Continued

12. Columbia shall establish a complaint procedure for issues concerning compliance with these Standards of Conduct. All complaints, whether written or verbal, shall be referred to the General Counsel of Columbia. The General Counsel, or his/her designee, shall orally acknowledge the complaint within five (5) working days of receipt. The General Counsel, or his/her designee, shall prepare a written statement of the complaint which shall contain the name of the complainant and a detailed factual report of the complaint, including all relevant dates, companies involved, employees involved, and specific claim. The General Counsel, or his/her designee, shall communicate the results of the preliminary investigation to the complainant in writing within thirty (30) days after the complaint was received including a description of any course of action which was taken. The General Counsel, or his/her designee, shall keep a file with all such complaint statements for a period of not less than three years.

13. Columbia Gas of Kentucky's name or logo will not be used in its marketing affiliate's promotional material, unless the promotional material discloses in plain, legible or audible language, on the first page or at the first point where Columbia Gas of Kentucky's name or logo appears, that its marketing affiliate is not the same company as Columbia Gas of Kentucky.

DATE OF ISSUE: April 12, 2005

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ISSUED BY: Joseph W. Kelly

President

COLUMBIA GAS OF KENTUCKY, INC.

P.S.C. Ky. No. 5

**GENERAL TERMS, CONDITIONS, RULE AND REGULATIONS
APPLICABLE TO
SMALL VOLUME AGGREGATION SERVICE RATE SCHEDULE ONLY (Continued)**

CUSTOMER CONSENT FORM

I have signed a written agreement for the purchase of natural gas supply containing the terms and conditions of my service with my Marketer, _____. I understand and agree to those terms, and agree to participate in the program as a Small Volume Gas Transportation Service customer. My Marketer is entitled to obtain my historic and current gas usage data from Columbia Gas of Kentucky. I understand that Columbia Gas of Kentucky will deliver to me the gas I purchase from my Marketer. I will receive one bill from Columbia Gas of Kentucky that identifies my Marketer and includes both the delivery charge from Columbia and the gas purchase charge from my Marketer.

Signature of Customer

Date

Print or Type Name

Columbia Gas of Kentucky Account Number

DATE OF ISSUE: April 12, 2005

DATE EFFECTIVE: April 1, 2005

ISSUED BY: Joseph W. Kelly

President

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

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Direct Testimony of Columbia Gas of Kentucky, Inc. was served upon all parties of record by regular U. S. mail this 21st day of June, 2010.

Brooke E. Leslie (gmc)

Brooke E. Leslie
Attorney for
COLUMBIA GAS OF KENTUCKY INC.

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