Columbia Gas of Kentucky
A NiSource Company

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

October 6, 2010

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

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PUBLIC SERVICE COMMISSION

RE: Case No. 2010-00146

Dear Mr. Derouen,

Pursuant to the Commission' Order of October 1, 2010, enclosed for filing with the Commission are an original and ten (10) copies of Columbia Gas of Kentucky, Inc., responses to the Request of Stand Energy Corporation dated July 15, 2010. Should you have any questions about this filing, please contact me at 614-460-5558. Thank you.

Sincerely,

Brooke E. Leslie (JMC)

Brooke E. Leslie
Counsel

Enclosures

cc: Hon. Richard S. Taylor

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Responses of Columbia Gas of Kentucky, Inc., was served by First Class U.S. Mail postage prepaid on the following parties this 6th day of October 2010.

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PSC Case No. 2010-00146
Stand Energy Data Set 1 DR No. 1-001A
Respondent: Michael D. Anderson

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010

Data Request No. 1-001A:

With regard to your transportation tariffs. Please answer the following.

Does it cost you more to deliver third party or supplier natural gas to a customer compared to the cost to deliver natural gas to a sales customer of the same size? If so, explain why in detail.

Response:

Other than the costs of developing and maintaining the systems necessary to track and account for third part deliveries and the ongoing costs of managing the on-system nomination process, the distribution system cost to deliver gas to a customer is the same regardless of whether provided by the Company or a third party.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010

Data Request No. 1-001B:

With regard to your transportation tariffs. Please answer the following.

Discuss whether you believe daily balancing or monthly balancing should be required of transportation customers and explain why, in detail.

Response:

In responding to this question the Company notes that the provision of daily balancing cannot be viewed in a vacuum as the ability of the Company to provide a balancing service is entirely dependent upon the assets the Company has at its immediate access to manage this critical operation. The Company is obligated each day to manage the total deliveries to its distribution system, both Company deliveries for sales customers and marketer deliveries for transportation customers, to match those deliveries with concurrent customer consumption. Thus, in theory, as suppliers take upon themselves the supplier role provided by the Company they should be held to the same obligations. Under the Company's current Choice transportation tariffs suppliers are provided a daily delivery obligation or demand curve and are required to deliver the identified quantity each day. In meeting this demand curve requirement Choice suppliers are held to be in balance. This balancing obligation recognizes the firm nature of these customers, the design of the Company's Choice program and the recognition that the Company has long-term capacity contracts to meet the firm requirements of these customers. Conversely, suppliers delivering supplies to the Company for larger transportation customers are not provided a daily delivery obligation by the Company in recognition that the Company does not have a firm supply obligation for these customers nor has the Company contracted for capacity resources to provide balancing on a firm basis for these customers. Regardless of the foregoing, the Company does require large transportation customers to balance daily during periods when Balancing Service interruptions are in place to ensure the integrity of system operations and the efficient management of supply and capacity resources.

The continued provision of the Company's existing balancing service for larger transportation customers is solely contingent upon the assets immediately available to the Company and could be severely impacted should the design of the Company's existing Choice program be modified by the Commission.

PSC Case No. 2010-00146
Stand Energy Data Set 1 DR No. 1-001C
Respondent: Michael D. Anderson

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010

Data Request No. 1-001C:

With regard to your transportation tariffs. Please answer the following.

Excluding periods of OFO's and OMO's, please identify the financial harm to your firm sales customers that has occurred over the past 12 months because of daily imbalances of transportation customers?

Response:

In order to reply to this question it is important to understand how the Company manages daily imbalances of transportation customers. In order for the Company to accommodate daily imbalances of transportation customers the Company must have continual access to a quantity of its storage capacity sufficient to manage these daily imbalances. As the city gate operator the Company has the obligation under interstate pipeline tariffs to manage the daily uncertainty in demand of its firm customers as well as supplies nominated to its city gates to match the amount of gas the Company receives each day. The Company's contracted storage and related transportation capacity provides the Company with the no-notice service it requires to balance its city gate nominations and receipts on a daily basis. These nominations include not only the Company's nominations for its sales customers, but the nominations for transportation customers as well. While the Company has not performed any studies of specific harm, financial harm to the firm sales customers can occur as the result of the need for the Company to utilize its storage capacity to manage transportation customer imbalances rather than to utilize it for the firm sales customers' benefit. The firm sales customers are the parties that pay for this capacity.

PSC Case No. 2010-00146
Stand Energy Data Set 1 DR No. 1-001D
Respondent: Michael D. Anderson

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010

Data Request No. 1-001D:

With regard to your transportation tariffs. Please answer the following.

During the past 12 months, please identify each day when transportation customers' deliveries provided a financial credit or system benefits to firm sales customers?

Response:

The only discernable financial credit or benefit on any day provided to firm sales customers by transportation customers' deliveries occurs when those deliveries result in a reduction in the storage activity costs, i.e. injection or withdrawal than would have otherwise occurred had no imbalance been created by transportation customer's deliveries. These credits or benefits are small, approximately $0.0151 per Dth on the net activity change, and are reduced by fuel retention costs on injection and withdrawal. Additionally, these credits or benefits are not necessarily permanent as the Company must maintain storage activity and inventory levels within certain planning and tariff limits to avoid added costs and/or to ensure its ability to meet its firm service obligations. To the extent that these transportation customer deliveries cause the Company to modify its purchase activities for sales customers to adhere to these limitations and maintain its ability to meet its firm service requirements, higher costs may be incurred that are not readily identifiable. For the twelve month period ending March 31, 2010 the dates that fit the description above are provided on Attachment A to this response.

Columbia Gas of Kentucky, Inc.

PSC Case No. 2010-00146
Stand Energy Data Set 1 DR No. 1-001D
Respondent: Michael D. Anderson

Attachment A

Dates			
2-Apr-09	1-Jul-09	11-Sep-09	19-Dec-09
3-Apr-09	2-Jul-09	14-Sep-09	20-Dec-09
4-Apr-09	6-Jul-09	19-Sep-09	24-Dec-09
6-Apr-09	7-Jul-09	20-Sep-09	25-Dec-09
14-Apr-09	14-Jul-09	21-Sep-09	26-Dec-09
15-Apr-09	15-Jul-09	22-Sep-09	27-Dec-09
20-Apr-09	16-Jul-09	23-Sep-09	30-Dec-09
21-Apr-09	20-Jul-09	27-Sep-09	31-Dec-09
22-Apr-09	21-Jul-09	28-Sep-09	1-Jan-10
25-Apr-09	22-Jul-09	29-Sep-09	9-Jan-10
26-Apr-09	23-Jul-09	30-Sep-09	16-Jan-10
27-Apr-09	27-Jul-09	1-Oct-09	17-Jan-10
28-Apr-09	28-Jul-09	5-Oct-09	22-Jan-10
1-May-09	29-Jul-09	6-Oct-09	23-Jan-10
3-May-09	30-Jul-09	7-Oct-09	24-Jan-10
4-May-09	3-Aug-09	8-Oct-09	30-Jan-10
5-May-09	4-Aug-09	12-Oct-09	31-Jan-10
6-May-09	5-Aug-09	13-Oct-09	6-Feb-10
7-May-09	6-Aug-09	17-Oct-09	13-Feb-10
11-May-09	7-Aug-09	21-Oct-09	14-Feb-10
12-May-09	10-Aug-09	22-Oct-09	19-Feb-10
13-May-09	11-Aug-09	23-Oct-09	20-Feb-10
14-May-09	12-Aug-09	24-Oct-09	21-Feb-10
18-May-09	13-Aug-09	26-Oct-09	22-Feb-10
19-May-09	17-Aug-09	27-Oct-09	23-Feb-10
1-Jun-09	18-Aug-09	29-Oct-09	25-Feb-10
2-Jun-09	19-Aug-09	31-Oct-09	26-Feb-10
3-Jun-09	24-Aug-09	5-Nov-09	27-Feb-10
4-Jun-09	26-Aug-09	6-Nov-09	28-Feb-10
7-Jun-09	31-Aug-09	7-Nov-09	10-Mar-10
8-Jun-09	1-Sep-09	11-Nov-09	11-Mar-10
9-Jun-09	2-Sep-09	26-Nov-09	12-Mar-10
10-Jun-09	3-Sep-09	27-Nov-09	13-Mar-10
11-Jun-09	5-Sep-09	28-Nov-09	14-Mar-10
12-Jun-09	6-Sep-09	29-Nov-09	19-Mar-10
15-Jun-09	7-Sep-09	5-Dec-09	21-Mar-10
16-Jun-09	8-Sep-09	12-Dec-09	24-Mar-10
17-Jun-09	9-Sep-09	13-Dec-09	25-Mar-10
18-Jun-09	10-Sep-09	14-Dec-09	26-Mar-10

27-Mar-10
28-Mar-10
29-Mar-10
30-Mar-10
31-Mar-10

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010**

Data Request No. 1-001E:

With regard to your transportation tariffs. Please answer the following.

If you believe that larger transportation consumers should be subject to daily balancing and smaller transportation consumers subject to monthly balancing explain how you determine the amount of daily or monthly usage that requires daily or monthly balancing and explain.

Response:

While the Company has not made such a determination, transportation customers are subject to daily balancing via Balancing Service interruptions irrespective of their actual daily or monthly usage.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010

Data Request No. 1-001F:

With regard to your transportation tariffs. Please answer the following.

If there are charges for imbalances or penalties for imbalances describe and explain the reasoning for the penalties and describe the allocation of the generated imbalance penalty dollars.

Response:

The Company's transportation service tariffs contain imbalance charges as set forth below. In all cases monies generated through the cash out provisions are credited to the Purchased Gas Cost Adjustment. Charges collected as a result of a supplier's failure to abide by the requirements of a Balancing Service Interruption are retained by the Company.

SVGTS:

The imbalance charge applicable to the SVGTS tariff is equal to 30% of the Gas Daily index for spot supplies delivered to Columbia Gas Transmission, LLC adjusted for FTS retainage and commodity. Added to this are any other costs incurred by the Company directly resulting from the supplier's failure to deliver the supplies required under this tariff. This rate is applied to each Dth delivered that is in excess or deficient to the delivery obligation of the tariff. During periods when the Company has issued a Balancing Service Interruption ("BSI") an additional charge of $25 per Dth is applied on the difference between the required and actual deliveries.

The daily imbalance fee was developed, and approved by the Commission, in recognition of the importance of suppliers delivering supplies to these firm customers in accordance with the design of the Company Choice Program which was specifically designed to provide a level playing field. The added charges under a BSI recognize the critical nature of the supply available to the Company to serve all customers and provide added incentive for suppliers to meet their delivery obligation and not place service to all the Company's customers at risk.

DS and MLDS:

The imbalance charge applicable to the DS and MLDS tariffs applies only when the month ending imbalance exceeds the limits of the volume bank quantity applicable to the supplier's customers. The Company provides a volume bank tolerance equal to 5% of a customer's Annual Transportation Volume. If the volume bank exceeds the tolerance the Company will purchase the excess volume at a rate equal to 80% of the average index price as reported in Gas Daily under the monthly report of spot gas delivered to Columbia Gas Transmission, LLC. Should the volume bank be depleted and a supply deficiency exist the Company will sell an amount to the supplier equal to the deficiency at a price equal to 120% of the average index price as reported in Gas Daily under the monthly report of spot gas delivered to Columbia Gas Transmission, LLC. This charge recognizes that the parameters utilized in developing the banking and balancing fee have been exceeded and helps to encourage suppliers to operate within the generous provisions of the banking and balancing service.

On days when the Company has issued a Balancing Service Interruption ("BSI") an additional charge of $25 per Dth is applied on the difference between the authorized volume stated by the Company in the BSI and actual deliveries. The added charges under a BSI recognize the critical nature of the supply available to the Company to serve all customers and provide added incentive for suppliers to meet their delivery obligation and not place service to all the Company's customers at risk.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010

Data Request No. 1-001G:

With regard to your transportation tariffs. Please answer the following.

Identify any operational events that have occurred that caused you to determine that daily or monthly balancing is necessary. Provide sufficient event details to justify a decision based thereon.

Response:

No specific events have occurred that have caused the Company to modify its current balancing requirements.

PSC Case No. 2010-00146
Stand Energy Data Set 1 DR No. 1-001H
Respondent: Michael D. Anderson

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010

Data Request No. 1-001H:

With regard to your transportation tariffs. Please answer the following.

Discuss whether or not you believe that supplier "pooling" should be allowed by Kentucky natural gas utilities to allow suppliers to pool deliveries for balancing and penalty avoidance purposes/ If not, explain in detail why not.

Response:

The Company's SVAS tariff provides suppliers the ability to aggregate or pool small volume transportation customers being served under the this tariff.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010

Data Request No. 1-001I:

With regard to your transportation tariffs. Please answer the following.

Discuss the necessity for each penalty set forth in your transportation tariffs and the reasons underlying each of the penalty amounts.

Response:

Please see response to Stand Energy Data Set 1 DR No. 1-001F.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010

Data Request No. 1-001J:

With regard to your transportation tariffs. Please answer the following.

Identify and briefly explain the allocation of generated penalty dollars.

Response:

Please see response to Stand Energy Data Set 1 DR No. 1-001F

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010

Data Request No. 1-002A:

With regard to your operations to currently approved tariffs, please respond to the following:

For the period covering the past 24 months, identify the dates and duration of all operational flow orders, operational matching orders or other flow orders imposed by you.

Response:

Please see Attachment A to this response. This response covers the period of April 2008 through March 2010.

Columbia Gas of Kentucky, Inc.

PSC Case No. 2010-00146
Stand Energy Data Set 1 DR No. 1-002A
Respondent: Michael D. Anderson

Attachment A

Date and Duration of Balancing Service Interruptions: April 2008 through March 2010

Date	Duration	Reason (a)
10-Oct-08	1	Market Absorption Limitation
16-Oct-08	2	Market Absorption Limitation
18-Oct-08	3	Market Absorption Limitation
21-Mar-09	2	Market Absorption Limitation
23-Mar-09	1	Market Absorption Limitation
24-Mar-09	1	Market Absorption Limitation
27-Mar-09	1	Market Absorption Limitation
28-Mar-09	1	Market Absorption Limitation
29-Mar-09	1	Market Absorption Limitation
30-Mar-09	1	Market Absorption Limitation
31-Mar-09	1	Market Absorption Limitation
25-Apr-09	1	Market Absorption Limitation
26-Apr-09	1	Market Absorption Limitation
27-Apr-09	1	Market Absorption Limitation
5-Sep-09	1	Market Absorption Limitation
6-Sep-09	1	Market Absorption Limitation
7-Sep-09	1	Market Absorption Limitation
8-Nov-09	1	Market Absorption Limitation
9-Nov-09	1	Market Absorption Limitation
14-Nov-09	1	Market Absorption Limitation
15-Nov-09	1	Market Absorption Limitation
21-Nov-09	1	Market Absorption Limitation
22-Nov-09	1	Market Absorption Limitation

(a) Market absorption limitation represents the combination of customer demand plus storage injection limitations.

PSC Case No. 2010-00146
Stand Energy Data Set 1 DR No. 1-002B
Respondent: Michael D. Anderson

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010

Data Request No. 1-002B:

With regard to your operations to currently approved tariffs, please respond to the following:

For all flow orders identified in (A) above, list the reason the flow order was imposed.

Response:

Please see Attachment A to the response to Stand Energy Data Set 1 DR No. 1-002A

PSC Case No. 2010-00146
Stand Energy Data Set 1 DR No. 1-003A
Respondent: Judy M. Cooper

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010

Data Request No. 1-003A:

With regard to your operations pursuant to currently approved tariffs, please respond to the following:

For the past 24 months, have you waived any requirements set forth in PSC-approved tariffs for any Supplier?

Response:

Not to my knowledge.

PSC Case No. 2010-00146
Stand Energy Data Set 1 DR No. 1-003B
Respondent: Judy M. Cooper

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010

Data Request No. 1-003B:

With regard to your operations pursuant to currently approved tariffs, please respond to the following:

For the past 24 months, have you waived any requirement set forth in PSC-approved tariffs for any Affiliates? If yes, identify any such waiver and the Affiliate that received the waiver.

Response:

To the best of my knowledge, Columbia has made no such waiver.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010

Data Request No. 1-003C:

With regard to your operations pursuant to currently approved tariffs, please respond to the following:

For the past 24 months, have you waived any requirement set forth in PSC-approved tariffs for any consumer? If so, identify any such waiver and the consumer that received the waiver.

Response:

Not to my knowledge.

PSC Case No. 2010-00146
Stand Energy Data Set 1 DR No. 1-007A
Respondent: Judy M. Cooper

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010

Data Request No. 1-007A:

Relative to your pipeline delivery requirements, please respond to the following:

During the past 2 years, with regard to the pipeline delivery requirements, have you waived or otherwise altered specific compliance with the requirements for any supplier? If so, identify and fully describe any such waiver and/or alteration, and the supplier.

Response:

Not to my knowledge.

PSC Case No. 2010-00146
Stand Energy Data Set 1 DR No. 1-007B
Respondent: Judy M. Cooper

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010

Data Request No. 1-007B:

Relative to your pipeline delivery requirements, please respond to the following:

During the past 2 years, and with regard to the pipeline delivery requirements, have you waived or otherwise altered specific compliance with the requirements for any consumer or customer? If so, identify and fully describe any such waiver and/or alteration, and the consumer/customer.

Response:

Not to my knowledge.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010

Data Request No. 1-007C:

Relative to your pipeline delivery requirements, please respond to the following:

During the past 2 years, and with regard to the pipeline delivery requirements, have you waived or otherwise altered specific compliance with the requirements for your Gas Marketing Affiliate, if any? If so, identify and fully describe any such waiver and/or alteration, and the Affiliate.

Response:

Not to my knowledge.

PSC Case No. 2010-00146
Stand Energy Data Set 1 DR No. 1-009A
Respondent: Michael D. Anderson

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010

Data Request No. 1-009A:

Please answer the following questions:

What percentage of your system gas supplies are produced in Kentucky?

Response:

For the twelve month period ending October 2011, the Company projects that approximately 3% of the supply it will purchase for its sales customers will come from gas that the Company can readily identify as be produced in the Commonwealth.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010

Data Request No. 1-009B:

Please answer the following questions:

What percentage of your system gas supplies are produced in the Appalachian area?

Response:

For the twelve month period ending October 2011, the Company projects that approximately 11.5% of the supply it will purchase for its sales customers will come from gas that the Company will purchase from Appalachian supply points. This volume is in addition to the percentage identified in the response to Stand Energy Data Request No. 1-009A.

PSC Case No. 2010-00146
Stand Energy Data Set 1 DR No. 1-009C
Respondent: M. D. Anderson

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010

Data Request No. 1-009C:

Please answer the following questions:

What percentage of your system gas supplies are transported on the Columbia Gulf system?

Response:

For the twelve month period ending October 2011, the Company projects that approximately 40.8% of the supply it will purchase for its sales customers will be transported on Columbia Gulf.

PSC Case No. 2010-00146
Stand Energy Data Set 1 DR No. 1-009D
Respondent: Judy M. Cooper

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010

Data Request No. 1-009D:

Please answer the following questions:

Please provide any studies that were done to establish a threshold of 25,000 Mcf/yr or greater to qualify for Delivery Service.

Response:

There have been no such studies conducted recently. Whatever studies may have been done at the time Columbia began offering large volumes transportation service, ie. Delivery Service, no longer exist.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010

Data Request No. 1-009E:

Please answer the following questions:

Please explain why Columbia Gas of Kentucky has a much higher threshold for transportation service than their sister Columbia distribution companies in Ohio, Pennsylvania, Maryland and Virginia.

Response:

The tariffs, terms and conditions, services offered and rates of each LDC are unique to each distribution company and its service area and each LDC is subject to the authority of its respective and unique regulatory jurisdiction.

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO FIRST INFORMATION REQUEST OF STAND ENERGY
DATED JULY 15, 2010**

Data Request No. 1-009F:

Please answer the following questions:

In your Small Volume Transportation Service (SVGTS) program, a supplier supplying gas to facilities in Frankfort Kentucky must deliver their supplies to the Portsmouth, Ohio receipt point (PSP 17-15). This receipt point, in addition to requiring "backhaul" to the Columbia of Kentucky service territory, has a BTU factor of approximately 1.131. Deliveries under the Delivery Service rate schedule for larger facilities in Frankfort must be delivered to PSP 18-10 which has an approximate BTU factor of 1.02. The result is that the SVGTS customer must pay an additional 10-11% more for gas each month. Please explain the reason for this policy

Response:

In responding to this question several clarifications are required. Under the Company's Commission-approved Choice Program, a CHOICE marketer's delivery of gas quantities to the Company is in direct proportion to the amount of Firm Transportation Service ("FTS") capacity the Company has under contract. In particular, the marketer is assigned FTS capacity directly corresponding to Columbia's FTS capacity utilized for tariff customers. Thus marketers are required to schedule on upstream pipelines for delivery to the Company approximately 41.68% of their daily delivery requirements to the Portsmouth Pipeline Scheduling Point ("PSP") (17-15) and approximately 58.32% of their daily delivery requirements to the Lexington PSP (18-12).

Thus, deliveries by an SVGTS supplier to the Company occur at both Portsmouth (17-15) and Lexington (18-12) PSPs, directly corresponding to Columbia's FTS; not only to the Portsmouth PSP as referenced in the question. For purposes of convenience, the Company provides CHOICE suppliers a single Demand Curve and a single point of nomination to the Company through its on-system nomination system for the nominations scheduled on the upstream pipelines. This upstream nomination requirement is the same for all Choice marketers. The upstream pipeline nominations reflect the physical requirements of the Company while the on-system nominations are more directly utilized in the Company's accounting activities for these customers. The Portsmouth PSP referenced in the question is the Portsmouth PSP of Columbia Gas Transmission, LLC ("TCO") and includes deliveries by TCO to both Ohio and Kentucky. The delivery obligation to the Company in PSP 17-15 relates only to points of delivery to the Company's distribution system in the Commonwealth and does not require a backhaul as indicated in the question.

An SVGTS customer located in Frankfort does not pay 10-11% more for gas supply than does a Delivery Service rate schedule customer in Frankfort as characterized in the question. The daily delivery obligation of a Choice marketer is based on the normalized annual consumption of its customers which are measured in Mcf. The Company converts the consumption estimate into a delivery requirement utilizing the SVGTS BTU factor which changes monthly. Annually the Company trues up the Choice marketer's deliveries with the customers' consumption for the same twelve-month period ending July. The Company utilizes the same BTU values in developing this true-up that it utilized in developing its demand curves. The marketer's deliveries to Columbia during the reconciliation period, the combined total from both PSP 17-15 and 18-12, are adjusted for BTU value noted above and line loss. The actual consumption of the marketer's aggregation pool is inclusive of all adjustments applicable to the reconciliation period.

A similar process is used in comparing Delivery Service customers' consumption with their suppliers' deliveries to the Company. The primary difference between these two comparison mechanisms is that the SVAS reconciliation is performed annually and the Delivery Service monthly. As long as the same BTU values are utilized for comparing deliveries and consumption under the respective programs, there is no cost difference.