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SEP 15 2009

**PUBLIC SERVICE
COMMISSION**

Via Overnight Mail

September 14, 2009

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case No. 2009-00141

Dear Mr. Derouen:

Please find enclosed the original signature page of KIUC to the Stipulation and Recommendation filed in the above-referenced matter. By copy of this letter, all parties listed on the Certificate of Service have been served.

Please place this document of file.

Very Truly Yours,



David F. Boehm, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Attachment
cc: Certificate of Service

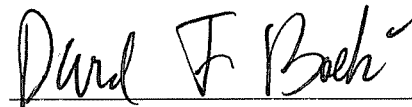
CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by first-class postage prepaid mail, (unless otherwise noted) to all parties on the 14th day of September, 2009.

Lawrence W Cook
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Office of the Attorney General Utility & Rate
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Honorable Stephen B Seiple
Attorney at Law
Columbia Gas of Kentucky, Inc.
200 Civic Center Drive
P.O. Box 117
Columbus, OH 43216-0117

Iris G Skidmore
415 W. Main Street, Suite 2
Frankfort, KY 40601



David F. Boehm, Esq.

A handwritten signature in black ink, reading "David F. Boehm". The signature is written in a cursive style with a large initial "D".

Hon. David F. Boehm
On behalf of the Kentucky Industrial Utility Customers

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SEP 15 2009

**PUBLIC SERVICE
COMMISSION**

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

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

STIPULATION AND RECOMMENDATION

It is the intent and purpose of the parties to this proceeding, namely Columbia Gas of Kentucky, Inc. (“Columbia”); the Attorney General of the Commonwealth of Kentucky; the Lexington-Fayette Urban County Government; the Kentucky Industrial Utility Customers; Interstate Gas Supply, Inc., the Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.; AARP; Constellation NewEnergy-Gas Division, LLC; and Stand Energy Corporation to express their agreement on a mutually satisfactory resolution of all of the issues in the instant proceeding.

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

In addition, the adoption of this Stipulation and Recommendation will eliminate the need for the Commission and the parties to expend significant resources in litigation of this proceeding, and

eliminate the possibility of, and any need for, rehearing or appeals of the Commission's final order herein. It is the position of the parties hereto that this Stipulation and Recommendation is supported by sufficient and adequate data and information, and is entitled to serious consideration by the Commission. Based upon the parties' participation in settlement conferences and the materials on file with the Commission, and upon the belief that these materials adequately support this Stipulation and Recommendation, the parties hereby stipulate and recommend the following:

1. Columbia should be authorized to adjust its base rates in order to permit it an opportunity to recover \$6,125,000 more in annual revenue than it is recovering under its current base rates, with such revised rates to be effective for service rendered on and after October 27, 2009. Columbia agrees to withdraw its proposed Straight Fixed Variable rate design, and instead the increased revenue requirement shall be reflected in increases to the customer charges associated with Columbia's various rate schedules, and there shall be no change in any of Columbia's volumetric rates except Rate Schedule IUS. The pro-forma tariff sheets attached hereto as Attachment A are recommended as reflecting the new rates to be effective as of the aforementioned date. These pro-forma tariff sheets further reflect rates that are designed to allow Columbia to recover the increased revenue from its various classes of customers, in the manner agreed to by the parties to this Stipulation and Recommendation. Columbia will not file prior to October 1, 2010, any application that proposes to implement a Straight Fixed Variable rate design.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15. In the event the Commission should reject or modify all or any portion of this Stipulation and Recommendation, or impose additional conditions or requirements upon the signatory parties, each signatory party shall have the right, within twenty (20) days of the Commission's order, to either file an application for rehearing or terminate and withdraw from the Stipulation and Recommendation by filing a notice with the Commission. Upon rehearing, any signatory party shall have the right within fifteen (15) days of the Commission's order on rehearing to file a notice of termination or withdrawal from this Stipulation and Recommendation. In such event the terms of this Stipulation and Recommendation shall not be deemed binding upon the parties hereto, nor shall such Stipulation and Recommendation be admitted into evidence, or referred to, or relied upon in any manner by any party hereto.

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

AGREED, this _____ day of September, 2009.

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

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

Hon. David J. Barberie

On behalf of the Lexington-Fayette Urban County Government

A handwritten signature in cursive script, reading "David F. Boehm". The signature is written in black ink and is positioned above a horizontal line.

Hon. David F. Boehm
On behalf of the Kentucky Industrial Utility Customers

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

Hon. Iris Skidmore

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

Hon. Tom FitzGerald
On behalf of AARP

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

Hon. John M. Dosker
On behalf of Stand Energy Corporation

ATTACHMENT A

TARIFFS

ATTACHMENT B
PROOF OF REVENUE

CERTIFICATE OF SERVICE

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

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

SERVICE LIST

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