

Natural Gas: Clean, Smart Energy for Our Community

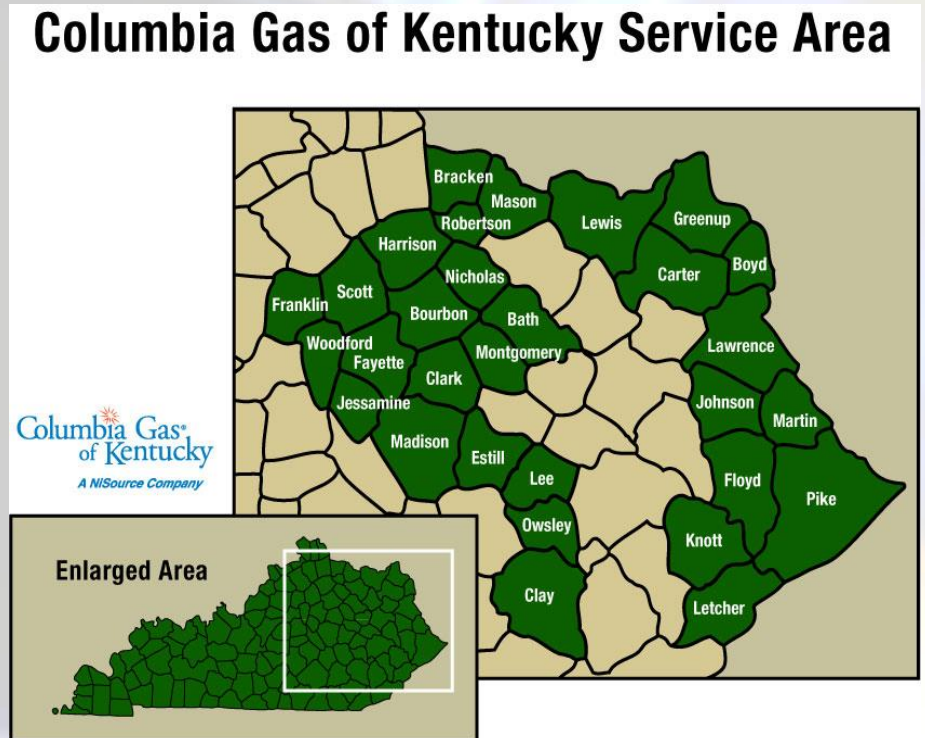
Herbert A. Miller
President
Columbia Gas of Kentucky

May 29, 2012



Who & Where We Are

- Serve over 130,000 customers in 30 counties in Central & Eastern Kentucky
- Customers include:
 - 120,206 residential
 - 13,943 commercial
 - 113 industrial
- Subsidiary of NiSource



NiSource Service Territory

- A Fortune 500 company engaged in natural gas transmission, storage and distribution, as well as electricity generation, transmission and storage.
- NiSource serves 3.8 million customers from the Gulf Coast through the Midwest to New England.



Relevant Regulatory Relationships

- Rates and Services governed by Kentucky Public Service Commission – KRS 278.260
- Franchises to operate in municipal rights-of-way – KRS 96.010; Ky. Constitution Sections 163 and 164

Natural Gas Prices

How to Contact Us
For DirectLink self-service 24 hours/day
For billing questions, call 8 a.m. - 5 p.m., Mon. - Fri. before due date
For quick responses, call 7 a.m. - 3 p.m., Tues. - Fri.
1-800-422-9515
For gas leaks or odor of gas 24 hours/day
Press option 2 after the greeting
711
For hearing-impaired relay
www.columbiagas.com
Click on DirectLink e-Service for account information, online billing and payment services, financial assistance, and other useful tools.

Billing Options
E-Bill: Go paperless! Sign up for one of our e-bill options and view your bill online.
Customer CHOICE: Purchase your natural gas from an unregulated supplier and have more control over the gas cost portion of your bill, which amounts to nearly two-thirds of your bill. Columbia Gas will still deliver the gas and provide safe, reliable service.

Payment Options
Online: Pay free by electronic check at our Web site.
ZipCheck: Authorize your bank to pay your bill automatically each month. Enroll online.
NCO EasyPay: Call 1-800-284-8572 or link from our Web site to pay by credit/debit card, or e-check. A convenience fee will apply.
Authorized Payment Centers: Call or visit us online to find a payment center near you. Agents charge a fee for each transaction.
Mail Return coupon below with payment to: Columbia Gas of Kentucky, P.O. Box 742523, Cincinnati, OH 45274-2523

Gas Meter Information
Actual Reading: A meter reader has read the meter. You're required to provide us access to read the meter at least once a year or risk shut-off. Please contact us to make arrangements if access is required.
Estimated Reading: During the months we don't read the meter, we accurately estimate your reading based on the history of usage at the service address and normal temperatures for the billing period. We verify the reading the next time we read the meter to make sure you pay only for the energy you've used.
Gas Usage: We measure your gas usage in Mcf equal to 1,000 cubic feet.
How to Read the Meter: When a pointer is between two numbers on a dial-type meter, read the smaller number except when the pointer is between 9 and 0. Record the reading on the dials from left to right.
Example:

Gas Bill
Residential Service
Page 1 of 2

Billing & Payment Summary

Customer Name: Columbia Gas of Kentucky Customer

Budget Payment Plan

Previous Amount Due on 08/11/2010	\$75.00
Payments Received by 08/05/2010	- \$75.00
Budget Balance on 08/24/2010	= \$0.00
Budget Amount This Period	+ \$75.00
Amount Due by 09/08/2010	= \$75.00

Service Summary

Service Location: 123 Main St, Anytown KY 12345-6789

Meter Number: XXXXXXXX

Meter Readings (29 Billing Days)

Actual Reading on 8/24	679
Actual Reading on 7/26	674
Gas Used (Mcf)	5.5

Gas Use History

Account Number: XXXXXXXX XXX XXX X
Statement Date: 08/24/2010
21

Billing & Payment Notes

Actual Account Status: In-Advance \$11.90CR
Payments Rec'd: \$75.00
Cur Mthg Chrg: \$11.90
Ending Balance: \$76.90CR

See back of bill for Detail of Charges for Gas Service.

Your next actual meter reading date is between 08/21/2010 - 08/27/2010

Service Summary Notes

Your next actual meter reading date is between 08/21/2010 - 08/27/2010

Daily Comparisons

Month	Temp	Usage
Aug '10	78.1°	6.0
Jul '10	77.8°	0.8
Aug '09	72.8°	0.8

Your Average Monthly Usage is 5.5 Mcf
Your Total Annual Usage is 68.1 Mcf

Gas Bill
Residential Service
Page 2 of 2

Detail of Charges for Gas Service

Customer Charge	\$12.35
Gas Delivery Charge	\$0.34
Gas Supply Cost 0.5 Mcf at \$4.11890 per Mcf	\$2.00
Research & Development Factor	\$0.01
School Tax	\$0.51
Energy Assistance Program Surcharge	\$0.03
Accelerated Main Replacement Program Rider	\$0.76
Energy Efficiency and Conservation Rider	\$0.00
Total Charges for Service This Period	\$17.30

Account Number: XXXXXXXX XXX XXX X
Statement Date: 08/24/2010
21

Service Charges Notes

Customer Charge covers most of the fixed costs of the service. It is payable to your utility account in the same month as each bill.

Gas Delivery Charges are charges of delivering the gas to actual customers. The charges for these services are regulated and these services are purchased from the local distribution company.

Gas Supply Cost includes the cost of natural gas, interstate pipeline fees, storage costs, and related charges and is passed through to customers at cost without markup.

Gas supply service may be purchased from a participating competitive gas supplier in the Customer CHOICE program.

WinterCare Contribution

Administered by The Community Action Council through donations from Columbia Gas customers, employees, and matching company contributions, WinterCare provides financial assistance to your neighbors who have no other options to help maintain their natural gas service.

You can contribute to the program monthly by authorizing the amount of your donation to be added to your monthly gas bill. For a one-time donation, simply make your check payable to the WinterCare and return it to Columbia Gas along with your regular gas bill payment. However you choose to contribute, your donation is tax deductible.

Monthly Contribution

\$10

\$5

\$1

\$ _____

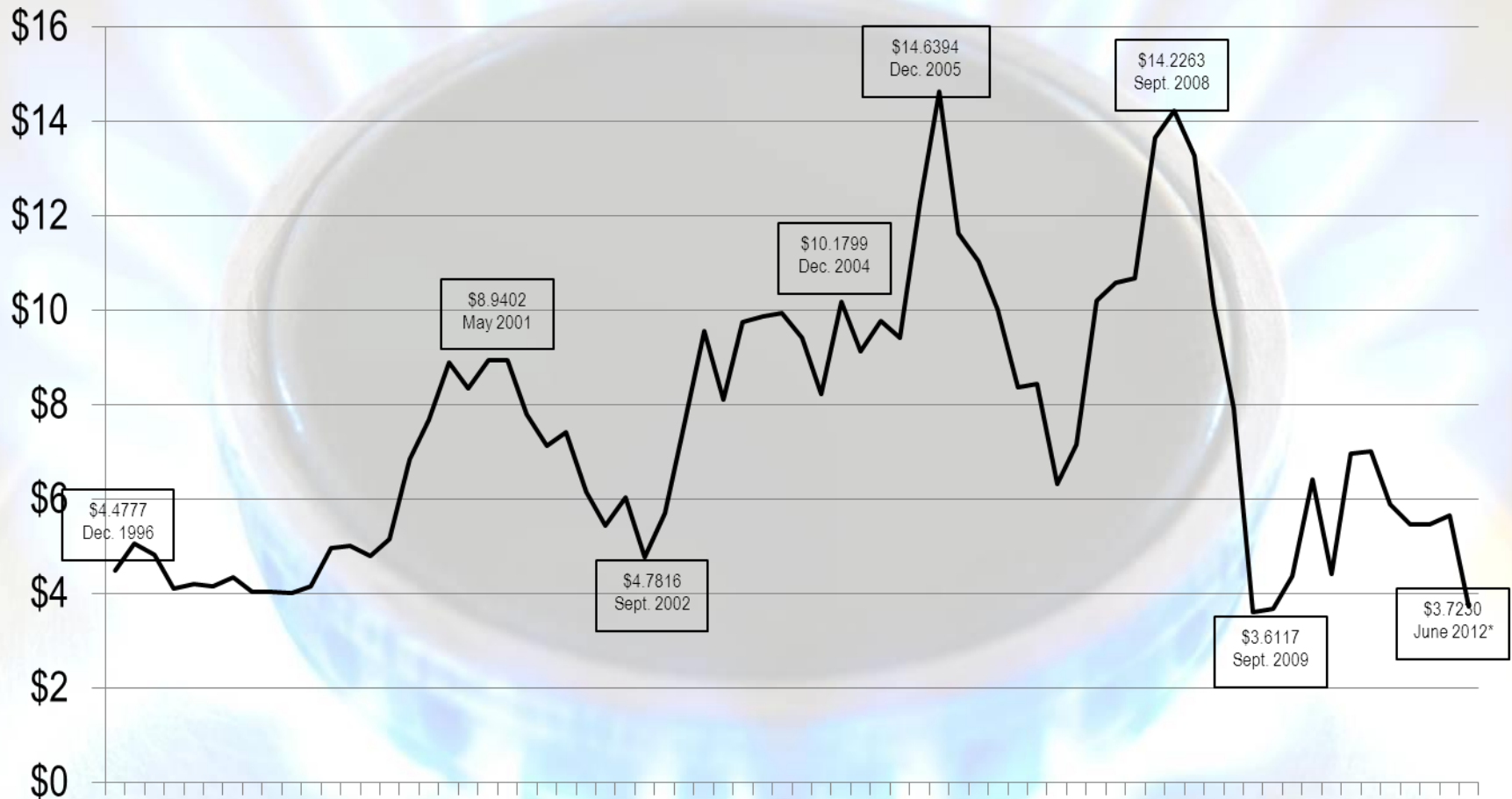
One-Time Contribution

\$ _____

- Two basic types of costs on customer bill
 - Distribution rates – cover fixed costs of delivering natural gas and providing service to customers – including, pipeline inspection and repair, 24-hour emergency service, customer service, etc.
 - Gas Supply Cost – commodity, interstate pipeline fees and storage costs – passed through to customers at cost (no profit).

A NISource Company

Columbia Gas of Kentucky Gas Supply Cost 12/96-Present



* Pending approval by the Kentucky Public Service Commission

Accelerated Main Replacement Program

- Proactive infrastructure replacement program prioritizing sections of pipe that is nearing the end of its useful life
- Over \$25.8 million invested since 2008 throughout service area
- Approximately \$17.1 million invested in Fayette County projects since 2008
- Communications with customers prior to and during AMRP projects
- Current Fayette County projects include Meadowthorpe

AMRP Customer Outreach

- Customers
- Elected officials
- Neighborhood associations
- Regulators
- Other utilities
- Churches
- Historical and other special considerations

Columbia Gas[®]
of Kentucky
A NiSource Company

February 3, 2011

Dear Customer:

In a continuing effort to provide you with safe and reliable service, Columbia Gas of Kentucky is upgrading its pipeline system in many parts of our service area. The natural gas infrastructure within your neighborhood is nearing the end of its useful operating life and we are proactively replacing main lines and service lines with state-of-the-art materials.

Beginning in a few weeks, Columbia Gas and its contractor, Stanley Pipeline, will begin upgrading the natural gas system in your neighborhood. Construction will primarily take place from 7:00 a.m. until approximately 5:30 p.m., Monday through Friday. Included in this project are portions of Cataipia, Desha, Fincastle, Irvine, McDowell, Richmond, South Hanover, Slashes and Sycamore.

During the project, our crews will first replace main lines in one section of the project area, then replace some service lines as necessary, relocate inside gas meters to the outside of the structure and connect service lines to the new main lines. Gas service may be briefly interrupted while these activities are completed. When your gas service has to be interrupted, our crews will contact you to schedule this work and to gain access to your property to test your house lines, check natural gas appliances and re-establish your service once the work is complete and no leaks or other problems are detected.

Columbia Gas and Stanley Pipeline have carefully planned this project to minimize the inconvenience to you and your family. For example, underground boring – instead of digging trenches – will be used whenever possible to minimize excavation on the surface. In some cases, however, underground boring may not be possible and temporary excavations affecting sidewalks, driveways and/or lawns may be necessary. The full restoration of some properties may take time to complete due to weather or seasonal conditions outside of our control.

We appreciate your patience and understanding as this important project is completed. Once complete, you will realize several benefits, including continued safe and reliable service, enhanced capacity and fewer inconveniences caused by inside gas meters.

If you have any questions regarding this project, please call our Construction Specialist, Bobby Dawes, at (859) 991-5659. Or, you may call our Pipeline Replacement Answer Line at (859) 288-6355 and leave your name, address, a phone number where you prefer to be reached and your question. This voice mailbox is checked frequently and we will research your question and respond to you promptly. Of course, if you should ever smell gas, please call our 24-hour emergency line at 800-432-9515.

Sincerely,

Herbert A. Miller, Jr.
President

WarmWise
SMOOTH. SAFE. SUSTAINABLE.

Kentucky 811
FOR YOUR SAFETY
CALL BEFORE YOU DIG

Columbia Gas[®]
of Kentucky
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- Low-Income Furnace Replacement Program
 - Administered by the Community Action Council
 - Eligibility at 200% of Federal Poverty Guidelines
 - Included in CAC's Weatherization program
- Home Energy Audit Program
 - FREE to residential customers using natural gas heat
 - Walk-through audit with thorough audit report and energy-saving tip sheets provided to homeowner
- Natural Gas Appliance Rebate Program
 - Rebates of up to \$400 on select energy-efficient heating, water heating and hearth products



Other Customer Assistance Programs

- Budget Payment Plan
- Extended payment plans
- Low-Income Energy Assistance Program (LIHEAP)
 - Federal assistance program
- Energy Assistance Program
 - Provides fixed credit amount on participating customers' bills during heating season (November – March); credits designed to increase during the colder winter months
 - \$675,000 annually
 - Administered by Community Action Council
 - Currently 1,200 households enrolled
- WinterCare
 - Combines contributions from customers, employees and shareholders
 - Columbia Gas of Kentucky matches customer donations dollar for dollar up to \$20,500
- Work with numerous other funding organizations, including Black Church Coalition, individual churches, LFUCG and others to assist struggling customers

Community Support

- Lexington Hearing & Speech Center
- Community Action Council
- 2nd Sunday
- Fayette County Public Schools
- Visually Impaired Preschool Services
- Black Church Coalition
- Roots & Heritage Festival
- Downtown Lexington Corporation
- Urban League of Lexington
- DSACK Buddy Walk
- Central Kentucky Radio Eye
- LexArts
- LFUCG disAbility Expo
- YMCA
- American Red Cross Bluegrass Chapter
- LFUCG Police Activities League Youth Baseball
- United Way of the Bluegrass
- Prichard Committee for Academic Excellence
- God's Pantry Food Bank
- Masterson Station Playground beautification
- Back to School Rallies
- Lexington Children's Theatre
- Wilderness Road Girl Scouts
- LFUCG Spring Clean
- CASA 10K Run for Kids Sake
- REACH
- Habitat for Humanity
- JustFUNDKy
- Town Branch Trail-A-Palooza
- Children's Advocacy Center
- Fayette Education Foundation
- Women Leading Kentucky
- Susan G. Komen Race for the Cure
- Salvation Army
- Fifth-Third Bank Tennis Championships
- KET
- Black Stallion Literacy Project
- Junior Achievement

Franchise, Right of Way Fees & Taxes Collected and Paid

	2008	2009	2010	2011
LFUCG Franchise Fees	\$3,585,356	\$3,100,940	\$2,317,563	\$2,385,814
LFUCG Right of Way Fees	\$130,500	\$135,950	\$155,300	\$114,100
LFUCG Property Taxes	\$612,764	\$650,767	\$664,989	\$811,481
LFUCG Payroll Taxes	\$129,857	\$141,674	\$140,574	\$137,677
Fayette Co. School Taxes Collected/Paid	\$3,585,691	\$3,098,137	\$2,318,893	\$2,384,765

Thank you. Questions?

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