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Case Number: 02-1683-GA-AIS

Date of Confidential Document:

July 1, 2004

Today's Date: October 17, 2012

Page Count: 34

Document Description

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CHESTER WILLCOX & SAXBE LLP

Attorneys and Counselors at Law

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CONTAINS TRADE SECRETS, CONFIDENTIAL, AND PROPREITARY INFORMATION

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July 1, 2004

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Docketing Division
Public Utilities Commission of Ohio
180 E. Broad Street, 13th Floor
Columbus, Ohio 43215-3793

Re: Case No. 02-1683-GA-CRS - Summary of material changes since the original competitive retail natural gas certification of Interstate Gas Supply, Inc.

Dear Commission:

Pursuant to Ohio Administrative Code 4901:1-27-09(B), the following is a summary of the material changes that have occurred since the granting of Interstate Gas Supply, Inc.'s ("IGS") original certificate to operate as a retail natural gas supplier. The information is more fully set forth in the Renewal Certification for Retail Natural Gas Supplier filed in this docket.

1. IGS created a wholly-owed subsidiary corporation, Interstate Gas of Illinois, Inc., to market and do business in Illinois;

2. **Treat as confidential information** - IGS has experienced controlled growth in its customer base, with an increase to over 600,000 residential, commercial, and industrial consumers, over 450,000 of which are Ohio consumers;

3. **Treat as confidential information** - IGS has increased its line of credit with a consortium of banks, to $140,000,000 that is available for business needs and to ensure the availability of cash as needed; and

4. **Treat as confidential information** - IGS's audited financial statements show IGS has a strong financial picture and has posted positive earnings in the past two (2) years, which is true for its entire fifteen (15) year history.

Please contact us if you have any questions. We thank you in advance for your expedited consideration.

Respectfully Submitted,

Bobby Singh
Chester, Willcox & Saxbe LLP
Attorneys for Interstate Gas Supply, Inc.

cc: Gregory A. Price, Senior Staff Attorney

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RENEWAL CERTIFICATION FOR RETAIL NATURAL GAS SUPPLIER

C-3 Exhibit C-3 "Financial Statements," provide copies of the applicant's two most recent years of audited financial statements (balance sheet, income statement, and cash flow statement). If audited financial statements are not available, provide officer –certified financial statements. If the applicant has not been in business long enough to satisfy this requirement, it shall file audited or officer-certified financial statements covering the life of the business.

See Exhibit C-3, PRIVILEDGED AND CONFIDENTIAL and Exhibit C-3 CONTINUED PRIVILEDGED AND CONFIDENTIAL, attached hereto.

C-4 Exhibit C-4 "Financial Arrangements," provide copies of the applicant's current financial arrangements to conduct competitive retail natural gas service (CRNGS) as a business activity (e.g., guarantees, bank commitments, contractual arrangements, credit agreements, etc.).

IGS has a credit facility of up to $140,000,000.00 through a syndicated bank line. The line is secured by accounts receivable, inventory and personally guaranteed in part by Scott White. It is anticipated that this facility will remain at its current level through November, 2005, the renewal date. IGS will use this facility to issue letters of credit to various suppliers and to finance inventory (storage). A copy of the first page and last page of the current participation agreement referencing the $140,000,000.00 line is attached as Exhibit C-4. IGS can provide further information upon request.

See also Exhibit C-4, PRIVILEDGED AND CONFIDENTIAL, attached hereto.

C-5 Exhibit C-5 "Forecasted Financial Statements," provide two years of forecasted financial statements (balance sheet, income statement, and cash flow statement) for the applicant's CRNGS operations, along with a list of assumptions, and the name, address, email address, and telephone number of the preparer.

The below forecasts were prepared by Scott White, whose contact information is provided with the renewal application and in response to A-14. The statement assumes holding current levels of customers, with an increase of five percent (5%) in gross revenues through 2005. The statements also ignore any FASB 133 entries.

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REVENUES:	2004	2005
Natural gas marketing	$750,295,350	$787,810,117
Less gas purchases and transportation expenses	$710,365,350	$747,810,110
Gross Profit on Gas Marketing	$47,268,607	$49,632,037
Other	$480,000	$480,000
GROSS PROFIT ON SALES	$47,748,607	$50,112,037
EXPENSES:		
Payroll, taxes, benefits	$3,931,000	$4,127,549
Selling and marketing	$6,767,877	$7,106,271
General and Administrative	$1,053,568	$1,106,247
Depr, depl and amortiz	$800,000	$800,000
Total Expenses	$12,552,445	$13,140,067
OPERATING INCOME	$35,196,162	$36,971,970
INTEREST INCOME	$190,000	$199,500
INTEREST EXPENSE	-$2,500,000	-$3,000,000
NET INCOME	$32,715,162	$34,171,470
Distribution for Taxes & Other	$16,357,581	$17,085,735
Net increase to Equity	$16,357,581	$17,085,735

Projections are based upon a fiscal year ending June 30 of the year stated.

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Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

Board of Directors
Interstate Gas Supply, Inc.

We have audited the accompanying balance sheets of Interstate Gas Supply, Inc. ("the Company") as of June 30, 2002 and December 31, 2001, and the related statements of income and other comprehensive income, shareholders' equity, and cash flows for the six months ended June 30, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2002 and December 31, 2001, and the results of its operations and its cash flows for the six months ended June 30, 2002 in conformity with accounting principles generally accepted in the United States of America.

October 4, 2002

EXHIBIT C-3
PRIVILEDGED AND CONFIDENTIAL

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CONTAINS TRADE SECRETS, CONFIDENTIAL, AND PROPRIETARY INFORMATION

INTERSTATE GAS SUPPLY, INC

BALANCE SHEETS AS OF JUNE 30, 2002 AND DECEMBER 31, 2001

ASSETS	June 30, 2002	December 31, 2001
CURRENT ASSETS:		
Cash	$ 18,096,634	$ 7,608,265
Available-for-sale equity securities	1,506,862	1,423,151
Accounts receivable, net of allowance of $755,764 and $748,241, respectively	37,726,365	42,963,966
Inventories	27,116,427	40,728,572
Fair value of derivative instruments	8,756,732	10,448,271
Prepaid and other	3,372,449	1,987,611
Total current assets	96,575,469	105,159,836
PROPERTY AND EQUIPMENT (NET)	1,702,413	1,791,473
RESTRICTED CASH	856,885	28,472,289
INVESTMENT IN AFFILIATES	1,110,975	1,160,296
INTANGIBLE ASSETS:		
Goodwill, net	96,426	96,426
Other intangible - customer accounts	125,208	235,212
TOTAL ASSETS	$ 100,467,376	$ 136,915,532
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 37,157,326	$ 47,056,737
Fair value of derivative instruments	724,533	17,769,667
Notes payable		54,866,872
Total current liabilities	37,881,859	119,693,276
SHAREHOLDERS' EQUITY:		
Common stock, no par value; 750 shares authorized, 740 shares issued and outstanding at June 30, 2002 and December 31, 2001	2,403,354	2,403,354
Accumulated other comprehensive income (loss)	7,427,370	(11,783,520)
Retained earnings	52,754,793	26,602,422
Total shareholders' equity	62,585,517	17,222,256
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 100,467,376	$ 136,915,532

See notes to financial statements.

PRIVILEDGED AND CONFIDENTIAL

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CONTAINS TRADE SECRETS, CONFIDENTIAL, AND PROPRIETARY INFORMATION

INTERSTATE GAS SUPPLY, INC.

STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2002

REVENUES:	
Natural gas marketing	$ 228,807,744
Net working interests in oil and gas properties	63,506
Unrealized gains on derivative instruments	1,919,629
Other	303,161
Total revenues	231,094,040
EXPENSES:	
Gas purchases and transportation	184,639,997
Payroll and related taxes	3,222,610
General and administrative	576,899
Selling and marketing	5,229,917
Bad debt expense	61,825
Depreciation, depletion and amortization	299,173
Total expenses	194,030,421
OPERATING INCOME	37,063,619
INTEREST AND DIVIDEND INCOME	261,368
INTEREST EXPENSE	(533,470)
EQUITY IN NET LOSS OF AFFILIATES	(49,321)
NET INCOME	36,742,196
OTHER COMPREHENSIVE INCOME (LOSS):	
Other comprehensive loss, December 31, 2001	(11,783,520)
Unrealized losses on available-for-sale equity securities	(24,625)
Cash flow hedges:	
Changes in fair value	7,724,470
Amounts realized in earnings	11,511,045
Total other comprehensive income	7,427,370
COMPREHENSIVE INCOME	$ 44,169,566

See notes to financial statements.

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INTERSTATE GAS SUPPLY, INC.

STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2002

	Common Stock		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
	Number of Shares	Amount			
BALANCE AT DECEMBER 31, 2001	740	$2,403,354	$(11,783,520)	$ 26,602,422	$ 17,222,256
Distributions to shareholders				(10,589,825)	(10,589,825)
Net income				36,742,196	36,742,196
Unrealized investment loss			(24,625)		(24,625)
Cash flow hedges:					
Changes in fair value			7,724,470		7,724,470
Amounts realized in earnings			11,511,045		11,511,045
BALANCE AT DECEMBER 31, 2002	740	$2,403,354	$ 7,427,370	$ 52,754,793	$ 62,585,517

See notes to financial statements.

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CONTAINS TRADE SECRETS, CONFIDENTIAL, AND PROPRIETARY INFORMATION

INTERSTATE GAS SUPPLY, INC.

STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$ 36,742,196
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation, depletion and amortization	299,173
Equity in income of affiliate	49,321
Gain on disposition of property	(150,000)
Unrealized gains on derivative instruments	(1,919,629)
Changes in operating assets and liabilities:	
Accounts receivable	5,237,601
Inventories	13,612,145
Prepaids and other assets	(1,357,494)
Accounts payable and accrued expenses	(9,899,411)
Fair value of derivative instruments	5,801,554
Net cash provided by operating activities	48,415,456
CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital expenditures	(100,111)
Dividends reinvested in available-for-sale equity securities	(3,339)
Decrease in restricted cash	27,615,404
Purchase of additional Gatherco stock	(105,000)
Proceeds on sale of interest in gas property	150,000
Proceeds on note receivable	22,656
Issuance of note receivable	(50,000)
Net cash provided by investing activities	27,529,610
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net payments on notes payable to bank	(52,500,000)
Net payments on notes payable to related parties	(2,366,872)
Distributions to shareholders	(10,589,825)
Net cash used in financing activities	(65,456,697)
NET INCREASE IN CASH	10,488,369
CASH - Beginning of year	7,608,265
CASH - End of year	$ 18,096,634
SUPPLEMENTAL DISCLOSURES - Cash paid for interest	$ 533,470

See notes to financial statements.

PRIVILEDGED AND CONFIDENTIAL

INTERSTATE GAS SUPPLY, INC.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2002 AND DECEMBER 31, 2001
AND FOR THE SIX MONTHS ENDED JUNE 30, 2002

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Interstate Gas Supply, Inc. (the Company) is a marketer of natural gas supply and transportation services for industrial and commercial customers located primarily in the State of Ohio. The Company also participates as a supplier in several residential programs sponsored by various local distribution companies in Ohio, Kentucky and Michigan. The Company also has working interests in oil and gas properties and includes its share of the revenues and expenses of these interests in its financial statements. The Company has elected a tax status under Subchapter S of the Internal Revenue Code.

Effective June 30, 2002, the Company changed their fiscal year end from December 31 to June 30. As such, the accompanying statements of income and other comprehensive income, shareholder's equity, and cash flows are for the period from January 1, 2002 through June 30, 2002.

Use of Estimates in the Preparation of Financial Statements - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition - Revenue is recognized as natural gas is supplied to customers.

Mark-to-Market Accounting - SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", requires mark-to-market accounting for derivatives unless the normal purchase or sale exception or hedge accounting are elected. Under the mark-to-market method, commodity derivative instruments not designated as hedges, which include the Company's futures, basis swaps, industrial sales contracts and natural gas producer contracts, are recorded at current fair value on the balance sheet as either assets or liabilities, and any unrealized gains or losses resulting from period-to-period changes in the current fair values are recorded net in the cost of gas purchases and transportation. The Company values its portfolio of commodity contracts, which include volumetric forecasts, and derivative instruments at current market prices, commonly referred to as forward price curves. Such market prices are based on trade exchanges and independent broker quotes.

Available-for-Sale Equity Securities - Financial Accounting Standards Board Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities", requires that investments in debt and equity securities be categorized as held-to-maturity, trading securities or available-for-sale. Available-for-sale securities, by definition, are those securities not classified as trading or held-to-maturity and are carried at fair value with unrealized gains and losses reported as a separate component of shareholders' equity. All of the Company's equity securities are classified as available-for-sale at June 30, 2002 and December 31, 2001. For the year ended June 30, 2002, the Company reported unrealized gains in the statement of other comprehensive income on available-for-sale securities of $24,625

Inventories - The Company records natural gas imbalances arising from variances inherent in the purchase and sale of natural gas. Favorable and unfavorable natural gas imbalances are classified as inventory and accounts payable, respectively. Natural gas in storage is valued at weighted average cost, while accounts payable are valued at market.

Property and Equipment - The Company follows the successful efforts method of accounting for oil and gas producing activities. Costs to acquire mineral interest in oil and gas properties, to drill and equip exploratory wells that find proved reserves, and to drill and equip development wells are capitalized. Costs to drill exploratory wells that do not find proved reserves, geological and geophysical costs, and costs of carrying and retaining unproved properties are expensed.

Unproved oil and gas properties that are individually significant are periodically assessed for impairment of value, and a loss is recognized at the time of impairment by providing an impairment allowance. Other unproved properties are amortized based on the Company's experience of successful drilling and average holding period. Capitalized costs of producing oil and gas properties, after considering estimated dismantlement and abandonment costs and estimated salvage values, are depreciated and depleted by the unit-of-production method. Support equipment and other property and equipment are depreciated over their estimated useful lives.

On the sale or retirement of a complete unit of a proved property, the cost and related accumulated depreciation, depletion and amortization are eliminated from the property accounts, and the resultant gain or loss is recognized. On the retirement or sale of a partial unit of proved property, the cost is charged to accumulated depreciation, depletion and amortization with a resulting gain or loss recognized in income.

On the sale of an entire interest in an unproved property for cash or cash equivalents, the gain or loss on the sale is recognized, taking into consideration the amount of any recorded impairment if the property had been assessed individually. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained.

Depreciation of the Company's other property and equipment is computed using the straight-line method over three to twenty years.

Income Taxes - The Company has elected to be taxed under the provisions of the Internal Revenue Code related to S Corporations. Under those provisions, the income of the Company for Federal and state income taxes is included in the income tax returns of the Company's shareholders. Where the Company remains liable for certain local income taxes, provision has been made for such taxes.

Long-lived Assets - Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Reclassifications - Certain prior year amounts have been reclassified to conform to the current year's presentation.

2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	June 30, 2002	December 31, 2001
Oil and gas properties:		
Leasehold costs	$ 24,137	$ 24,137
Intangible drilling costs	997,220	1,946,711
Deposits on oil and gas properties	20,000	20,000
Well equipment	414,448	689,583
Transportation systems	131,064	131,064
Meter stations	33,421	33,421
Total oil and gas properties	1,620,290	2,844,916
Office equipment	826,468	729,788
Automobiles	14,262	14,262
Land	203,500	203,500
Building	1,022,599	1,019,167
Total	3,687,119	4,811,633
Less accumulated depreciation, depletion and amortization	(1,984,706)	(3,020,160)
Total property and equipment	$ 1,702,413	$ 1,791,473

3. INVESTMENT IN AFFILIATES

At June 30, 2002, the Company owned 270 shares of the common stock of KOC Acquisition Corp. (KOC Acquisition) which represented a 45% interest in KOC Acquisition's outstanding capital stock. The Company accounts for its investment in KOC Acquisition using the equity method. The carrying value of the Company's investment in KOC Acquisition exceeded its portion of underlying equity in net assets by $16,913 at June 30, 2002 and December 31, 2001. This amount is recorded as goodwill on the accompanying balance sheet. Until December 31, 2001, the Company amortized the associated goodwill over an eight-year period. On January 1, 2002, the Company adopted Statement of Financial Accounting Standard (SFAS) No. 142, "Goodwill and Other Intangible Assets", and as such, goodwill amortization ceased. According to the provisions of the standard, the Company is required to complete an impairment test of the balance annually. As of June 30, 2002, the Company completed an internal analysis and determined that no impairment of this investment exists.

KOC Acquisition Corp. owns all of the issued and outstanding common stock of Kingston Oil Corporation. KOC Acquisition Corp.'s only activity is its investment in Kingston Oil Corporation. At June 30, 2002, Kingston Oil Corporation had total assets and liabilities of $2,929,072, and $322,256, respectively. Additionally, Kingston Oil Corporation reported revenues of $189,452 and a net loss of $64,294 for the six-months then ended. At December 31, 2001, Kingston Oil Corporation had total assets and liabilities of $2,998,553, and $367,443, respectively, and reported revenues of $2,656,440 and net income of $2,014,457 for the year then ended.

In the event certain shareholders desire to sell their ownership in KOC Acquisition Corp., the Company has the right of first refusal to purchase an additional 5% of KOC Acquisition Corp.'s capital stock and has secondary rights to purchase 50% of the Company's working interests in oil and gas properties that are managed by Kingston Oil Corporation. During the six-months ended June 30, 2002 the Company made no natural gas purchases from Kingston Oil Corporation. During the year ended December 31, 2001, the Company purchased natural gas totaling approximately $170,000. The Company had no accounts payable to Kingston Oil Corporation at June 30, 2002 or December 31, 2001.

In September of 1998, the Company entered into an agreement with Hopco Resources, Inc. to form a limited partnership (Hopco, Ltd.), effective January 1, 1999, which will perform oil and gas exploration, drilling and production. The Company contributed a $375,000 note receivable to the partnership which represented a 45% ownership interest as of December 31, 1998, with the remaining operating assets contributed by Hopco Resources, Inc. The Company accounts for its investment using the equity method. The carrying value of the Company's investment in Hopco, Ltd. exceeded its portion of underlying equity in net assets by $76,698 at June 30, 2002 and December 31, 2001. This amount is recorded as goodwill on the accompanying balance sheet. Until December 31, 2001, the Company amortized the associated goodwill over an eight-year period. On January 1, 2002 the Company adopted SFAS No. 142 and as such, goodwill amortization ceased. According to the provisions of the standard, the Company is required to complete an impairment test of the balance annually. As of June 30, 2002, the Company completed an internal analysis and determined that no impairment of this investment exists.

At June 30, 2002, Hopco, Ltd. had total assets and liabilities of $1,699,673, and $1,384,299, respectively. Additionally, Hopco, Ltd. reported revenues of $157,979, and a net loss of $45,309 for the six months then ended. At December 31, 2001, Hopco, Ltd. had total assets and liabilities of $1,677,395, and $1,316,991, respectively, and reported revenues of $776,426, and a net loss of $205,025 for the year then ended. During the years ended June 30, 2002 and December 31, 2001, the Company purchased natural gas in the amounts of approximately $122,000 and $747,000, respectively, from Hopco, Ltd. At June 30, 2002, and December 31, 2001, the Company had accounts payable to Hopco, Ltd. amounting to approximately $26,000 and $29,000, respectively, and prepaid gas purchases from Hopco, Ltd. of $31,000 and $64,000, respectively. Additionally, the Company held a short-term note receivable from Hopco, Ltd. for $50,000 at June 30, 2002. This amount has been included in prepaid and other current assets on the accompanying balance sheet.

4. NOTES PAYABLE

Notes payable consisted of the following:

	June 30, 2002	December 31, 2001
Revolving note payable to bank with interest at the bank's prime rate less .50% (4.25% at December 31, 2001), due upon demand	$ -	$52,500,000
Note payable to related party with interest at the bank's prime rate less 1.00% (3.75% at December 31, 2001), maturing on May 14, 2002	-	2,366,872
Total notes payable	$ -	$54,866,872

The revolving note payable to bank allows borrowing up to specified levels for certain periods of time. At June 30, 2002, the maximum amount permitted was $100 million. The note payable agreement contains various covenants which, among other things, require maintenance of certain financial ratios. At June 30, 2002, the Company was in compliance with all such covenants. At June 30, 2002 and December 31, 2001, the Company violated a debt covenant relating to a non-financial covenant, however, a letter was obtained from the bank waiving compliance with this covenant. The revolving note payable is secured by substantially all of the Company's assets and is guaranteed by a shareholder who is also an officer/director of the Company.

5. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

SFAS No. 133 requires that entities recognize all derivatives, including fair value hedges, as either assets or liabilities and measure such changes in fair value. Changes in the fair value of derivatives are included in earnings unless designated as a cash flow hedge. Changes in the fair value of derivatives that are designated as effective cash flows hedges are included in other comprehensive income.

The Company enters into fixed price contracts to sell natural gas to industrial, commercial and residential customers. These sales contracts extend to December of 2004. The Company uses exchange traded futures contracts and swap contracts to reduce its exposure to price changes of natural gas purchases relating to its fixed price sales contracts.

At June 30, 2002 and December 31, 2001, the Company held the following derivative instruments for the purpose of reducing exposure to changes in the price of natural gas:

	2002 Fair Value	2001 Fair Value
NYMEX Futures	$ 7,377,050	$ (21,961,475)
Swaps	156,118	(654,413)

The fair value of financial instruments are based on management's best estimates using over-the-counter quotations and exchange prices. Unrealized gains or losses arising from natural gas hedging activities are included in the cost of gas purchases and transportation when the hedged sales commitments are satisfied.

The Company routinely enters into exchange traded futures transactions as part of its hedging activities. These transactions are executed through brokerage accounts with brokers who are registered with the Commodity Futures Trading Commission. Brokers require cash or cash related instruments to be deposited on these accounts to cover margins against the customer's open position. These deposits are reported as restricted cash.

The following table represents the activity in other comprehensive income related to the effect of adopting SFAS No. 133 for derivative contracts that qualify as cash flow hedges at June 30, 2002:

Balance, December 31, 2001	$(12,092,245)
Changes in fair value	7,724,470
Amounts realized in earnings	11,511,045
Other comprehensive income, June 30, 2002	$ 7,143,270

In periods prior to the occurrence of the hedged transaction, the fair value of the hedges are recorded in the balance sheet with the resulting unrealized gains or losses reflected as a component of the accumulated other comprehensive income (OCI). Therefore as of June 30, 2002 the entire amount $7,143,270 of fair value from the cash flow hedges in accumulated OCI is expected to be reclassified to cost of gas purchases in transportation in the next 12 months as the hedged transactions occur.

Essentially all of the terms of the Company's cash flow derivatives match the terms of the underlying hedged item. At June 30, 2002, there was no ineffective portion of cash flow hedging activity. At December 31, 2001, the ineffective portion of the cash flow hedging activity was $105,150. Instead of being recorded as a component of OCI, this amount was recognized in 2001 earnings.

The Company has derivatives under SFAS No. 133 that do not employ hedge accounting. The derivatives' fair values at June 30, 2002 resulted in an asset of $4,065,386 and a liability of $2,145,757. The net unrealized gain associated with these assets and liabilities was recorded as a component of operating revenue. Included in these amounts are industrial sales contracts, natural gas producer supply contracts and swaps that meet the definition of a derivative under SFAS No. 133. The assets and liabilities associated with the industrial sales contracts are $813,382 and $1,537,915, respectively. The assets and liabilities related to the natural gas producer contracts are $1,328,381 and $104,817, respectively. The assets and liabilities related to the swaps are $243,123 and $87,005, respectively. The Company also has entered into futures contracts that were not designated as cash flow hedges, which represent $1,680,500 and $416,020 in mark-to-market assets and liabilities, respectively.

The following table represents the net fair value of derivative contracts as reported on the balance sheet at June 30, 2002 and December 31, 2001:

	June 30, 2002	December 31, 2001
Net fair value of derivative contracts (non-cash flow hedges)	$ 1,919,629	$ (116,046)
Net fair value of derivative contracts (cash flow hedges/OCI)	6,112,570	(7,205,350)
Fair value of derivative contracts	$ 8,032,199	$ (7,321,396)

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company believes that the fair value of its financial instruments approximated the carrying value of those instruments at June 30, 2002 and December 31, 2001, except for those described in Note 5.

At June 30, 2002 and December 31, 2001, it was not practicable to estimate the fair value of an investment representing 45% of KOC Acquisition Corp., an untraded company. This investment is accounted for using the equity method (see Note 4), and is reported as investment in affiliate on the accompanying balance sheet. The investment's carrying value at June 30, 2002 and December 31, 2001 was $967,371 and $996,303, respectively.

At June 30, 2002 and December 31, 2001, it was not practicable to estimate the fair value of an investment representing 45% of Hopco, Ltd., an untraded company. This investment is accounted for using the equity method (see Note 4), and is reported as investment in affiliate on the accompanying balance sheet. The investment's carrying value at June 30, 2002 and December 31, 2001 was $143,604 and $163,993, respectively,

At June 30, 2002 and December 31, 2001, it was not practicable to estimate the fair value of an investment representing approximately 19% of Gatherco, Inc., an untraded company. This investment is accounted for using the cost method and is reported in available-for-sale securities. The investment's carrying value at June 30, 2002 and December 31, 2001 was $412,023 and $307,023, respectively.

Cash, Accounts Receivable, Accounts Payable and Accrued Expenses - The carrying amounts of these items are a reasonable estimate of their fair value due to the short maturity of these instruments.

Available-for-Sale Equity Securities - The securities that have a readily determinable fair value, as defined in SFAS No. 115, were valued using available market quotes.

Notes Payable - For notes payable with interest rates that fluctuate with rates of the lending institutions, the carrying value is a reasonable estimate of fair value. For other notes payable, the estimated fair value was determined by comparing the interest rates and terms of the note agreements to debt instruments with similar terms and remaining maturities.

7. EMPLOYEE BENEFITS

On January 1, 2000, the Company established a 401(k) plan for eligible employees for which contributions are made. Total expense under this plan was $45,053 for the six months ended June 30, 2002.

8. COMMITMENTS AND GUARANTEES

The Company has entered into fixed price natural gas purchase commitments to supply its industrial, commercial and residential customers. These contracts have expiration dates ranging from July of 2002 to March of 2005. The minimum commitments under these contracts are for approximately 2,300,000 mmbtu, 600,000 mmbtu and 200,000 mmbtu for the fiscal years ending June 30, 2003, 2004 and 2005, respectively. Many of these contracts require minimum purchases ("take-or-pay") of gas under which the buyer agrees to pay for a minimum quantity of gas in a year. On the basis of the Company's current expectations of demand from its gas customers as compared with its take-or-pay obligation under such purchase contracts, management does not consider it likely that any material payments will become due from the Company for gas not taken.

The Company is the guarantor of a $300,000 building loan for an affiliate, Hopco, Ltd.

The Company leases certain office space and equipment under operating leases. For the six months ended June 30, 2002, lease expense totaled approximately $5,900. At June 30, 2002 the future minimum lease payments under non-cancelable operating leases are as follows:

Year	Amount
2003	$35,099
2004	59,448
2005	60,820
2006	35,489

9. COMMON STOCK

The Company's common stock is owned by five individuals. The shareholders entered into a Close Corporation Agreement effective January 1, 2001 which gives the Company the right of first refusal to purchase shares from individual shareholders through a Close Corporation Agreement. In addition the agreement requires that the Corporation shall make periodic cash distributions to each shareholder in amounts sufficient to offset each shareholder's Federal, state and local income tax liabilities arising from the inclusion, in such shareholder's taxable income, of the Corporation's taxable income for the year.

10. CONTINGENCIES

The Company is involved in various litigation arising in the ordinary course of business. In July 2002, one such case resulted in a judgement against the Company for breach of contract. The plaintiff is seeking damages of approximately $1.2 million, however, the Company feels that this amount is unwarranted and has vigorously defended itself on such matters. An evidentiary hearing was held on October 3, 2002 to determine the amount of damages for which the Company will be held liable, however, at the time of issuance of the financial statements, no such ruling had occurred.

11. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS 143, "Accounting for Asset Retirement Obligations." This standard requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is acquired. The Company adopted this standard effective July 1, 2002. Adoption of this pronouncement did not expect to have a significant effect on its results of operations, cash flows, or financial position.

In April 2002, the FASB issued SFAS 145, "Recission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." The Company will adopt this standard on July 1, 2002 and does not expect it to have a significant effect on its results of operations, cash flows, or financial position.

* * * * *

FILE UNDER SEAL

CONTAINS TRADE SECRETS, CONFIDENTIAL, AND PROPRIETARY INFORMATION

Interstate Gas Supply, Inc.

Financial Statements as of June 30, 2003 and 2002 and for the Year Ended June 30, 2003 and Independent Auditors' Report

EXHIBIT C-3 CONTINUED
PRIVILEDGED AND CONFIDENTIAL

Deloitte & Touche LLP
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Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

Board of Directors
Interstate Gas Supply, Inc.

We have audited the accompanying balance sheets of Interstate Gas Supply, Inc. (the "Company") as of June 30, 2003 and 2002 and the related statements of income and other comprehensive income, shareholders' equity, and cash flows for the year ended June 30, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2003 and 2002, and the results of its operations and cash flows for the year ended June 30, 2003, in conformity with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

October 3, 2003

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INTERSTATE GAS SUPPLY, INC

BALANCE SHEETS AS OF JUNE 30, 2003 AND 2002

ASSETS	2003	2002
CURRENT ASSETS:		
Cash	$ 2,757,632	$ 18,096,634
Available-for-sale equity securities	629,601	1,506,862
Accounts receivable—net of allowance of $1,325,046 and $755,674, respectively	46,360,936	37,726,365
Inventories	83,057,762	27,116,427
Fair value of derivative instruments	11,603,361	9,169,767
Assets held for sale	1,133,163	1,529,012
Prepaid and other	6,927,928	3,372,449
Total current assets	152,470,383	98,517,516
PROPERTY AND EQUIPMENT—(NET)	1,989,178	1,380,802
RESTRICTED CASH	9,007,962	856,885
INTANGIBLE ASSETS—Customer accounts	732,509	125,208
FAIR VALUE OF DERIVATIVE INSTRUMENTS	7,924,659	1,008,188
TOTAL ASSETS	$ 172,124,691	$ 101,888,599
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 64,726,453	$ 37,157,326
Fair value of derivative instruments	2,556,978	1,663,208
Equity Advances from Brokers	5,731,782	
Short-term debt	12,000,000	
Total current liabilities	85,015,213	38,820,534
NOTES PAYABLE—SHAREHOLDERS	2,430,000	
FAIR VALUE OF DERIVATIVE INSTRUMENTS	2,615,103	482,548
SHAREHOLDERS' EQUITY:		
Common stock	2,403,354	2,403,354
Accumulated other comprehensive income	11,959,049	7,427,370
Retained earnings	67,701,972	52,754,793
Total shareholders' equity	82,064,375	62,585,517
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 172,124,691	$ 101,888,599

See notes to financial statements.

INTERSTATE GAS SUPPLY, INC.

STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME
YEAR ENDED JUNE 30, 2003

NATURAL GAS MARKETING REVENUES	$ 626,299,022
EXPENSES:	
Gas purchases and transportation	563,697,251
Payroll and related taxes	3,411,308
General and administrative	2,697,202
Selling and marketing	6,930,211
Bad debt expense	1,098,102
Impairment loss	148,024
Depreciation, depletion and amortization	605,206
Total expenses	578,587,304
OPERATING INCOME	47,711,718
OTHER INCOME	943,272
INTEREST AND DIVIDEND INCOME	442,609
INTEREST EXPENSE	(622,801)
EQUITY IN NET INCOME OF AFFILIATES	52,650
INCOME BEFORE DISCONTINUED OPERATIONS	48,527,448
DISCONTINUED OPERATIONS	8,085
NET INCOME	48,535,533
OTHER COMPREHENSIVE INCOME:	
Other comprehensive income, June 30, 2002	7,427,370
Available for sale securities:	
Changes in fair value	33,411
Amounts realized in earnings	(216,982)
Cash flow hedges:	
Changes in fair value	11,858,520
Amounts realized in earnings	(7,143,270)
Total other comprehensive income	11,959,049
COMPREHENSIVE INCOME	$ 60,494,582

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See notes to financial statements.

INTERSTATE GAS SUPPLY, INC.

STATEMENT OF SHAREHOLDERS' EQUITY
YEAR ENDED JUNE 30, 2003

	Common Stock Number of Shares Class A	Common Stock Number of Shares Class B	Common Stock Amount	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
BALANCE—June 30, 2002	740	-	$2,403,354	$ 7,427,370	$ 52,754,793	$ 62,585,517
Distributions to shareholders					(33,588,354)	(33,588,354)
Issuance of Class B Common Stock		73,260				
Net income					48,535,533	48,535,533
Available-for-sale securities:						
Changes in fair value				33,411		33,411
Amounts realized in earnings				(216,982)		(216,982)
Cash flow hedges:						
Changes in fair value				11,858,520		11,858,520
Amounts realized in earnings				(7,143,270)		(7,143,270)
BALANCE—June 30, 2003	740	73,260	$2,403,354	$11,959,049	$ 67,701,972	$ 82,064,375

See notes to financial statements.

INTERSTATE GAS SUPPLY, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$ 48,535,533
Less: discontinued operations	(8,085)
Income from continuing operations	48,527,448
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation, depletion and amortization	605,206
Equity in income of affiliate	(52,650)
Gain on disposition of assets	(314,810)
Impairment loss	148,024
Unrealized gains on derivative instruments	(1,265,933)
Changes in operating assets and liabilities:	
Accounts receivable	(8,634,571)
Inventories	(55,941,335)
Prepaid and other assets	(3,528,135)
Accounts payable and accrued expenses	27,569,127
Equity Advances from Brokers	5,731,782
Other	(349,030)
Net cash provided by operating activities	12,495,123
CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital expenditures	(1,791,228)
Increase in restricted cash	(8,151,077)
Proceeds from sale of assets	1,005,191
Proceeds on note receivable	22,656
Issuance of note receivable	(50,000)
Net cash used in investing activities	(8,964,458)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net borrowings on notes payable to bank	12,000,000
Net borrowings on notes payable to related parties	2,430,000
Distributions to shareholders	(33,588,354)
Net cash used in financing activities	(19,158,354)
CASH FLOWS FROM DISCONTINUED OPERATIONS	288,687
NET DECREASE IN CASH	(15,339,002)
CASH—Beginning of year	18,096,634
CASH—End of year	$ 2,757,632
SUPPLEMENTAL DISCLOSURES—Cash paid for interest	$ 622,801

See notes to financial statements. PRIVILEDGED AND CONFIDENTIAL

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Interstate Gas Supply, Inc. (the "Company") is a marketer of natural gas supply and transportation services for residential, commercial, and industrial customers. The Company serves residential markets throughout Ohio, Kentucky, Pennsylvania, Illinois, and Michigan by participating as a supplier in several residential programs sponsored by local distribution companies. The Company's commercial and industrial programs primarily serve customers in the State of Ohio. The Company has also invested in working interests in oil and gas properties throughout Ohio and records its proportionate share of the revenues and expenses of the interests in these financial statements.

Effective June 30, 2002, the Company changed its fiscal year end from December 31 to June 30. As such, the accompanying statements of income and other comprehensive income, shareholders' equity, and cash flows are for the period from July 1, 2002 through June 30, 2003.

Use of Estimates in the Preparation of Financial Statements—The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition—Revenue is recognized as natural gas is supplied to customers.

Mark-to-Market Accounting—Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, requires mark-to-market accounting for derivatives unless the normal purchase or sale exception or hedge accounting is elected. Under the mark-to-market method, commodity derivative instruments not designated as hedges, which include the Company's futures, basis swaps, industrial sales contracts and natural gas producer contracts, are recorded at current fair value on the balance sheet as either assets or liabilities, and any unrealized gains or losses resulting from period-to-period changes in the current fair values are recorded net on the face of the income statement in the line in which the realized gain or loss will be recognized when settled. The Company values its portfolio of commodity contracts, which include volumetric forecasts, and derivative instruments at current market prices, commonly referred to as forward price curves. Such market prices are based on trade exchanges and independent broker quotes.

Available-for-Sale Equity Securities—Financial Accounting Standards Board Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, requires that investments in debt and equity securities be categorized as held-to-maturity, trading securities or available-for-sale. Available-for-sale securities, by definition, are those securities not classified as trading or held-to-maturity and are carried at fair value with unrealized gains and losses reported as a separate component of shareholders' equity. All of the Company's equity securities are classified as available-for-sale at June 30, 2003 and 2002. For the year ended June 30, 2003, the Company reported unrealized gains in the statement of other comprehensive income on available-for-sale securities of $33,411.

Inventories—The Company records natural gas imbalances arising from variances inherent in the purchase and sale of natural gas. Favorable and unfavorable natural gas imbalances are classified as inventory and accounts payable, respectively. Natural gas in storage is valued at weighted average cost, while accounts payable are valued at market.

Property and Equipment—The Company follows the successful efforts method of accounting for oil and gas producing activities. Costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells that find proved reserves, and to drill and equip development wells are capitalized. Costs to drill exploratory wells that do not find proved reserves, geological and geophysical costs, and costs of carrying and retaining unproved properties are expensed.

Unproved oil and gas properties that are individually significant are periodically assessed for impairment of value, and a loss is recognized at the time of impairment by providing an impairment allowance. Other unproved properties are amortized based on the Company's experience of successful drilling and average holding period. Capitalized costs of producing oil and gas properties, after considering estimated dismantlement and abandonment costs and estimated salvage values, are depreciated and depleted by the units-of-production method. Support equipment and other property and equipment are depreciated over their estimated useful lives.

On the sale or retirement of a complete unit of a proved property, the cost and related accumulated depreciation, depletion and amortization are eliminated from the property accounts, and the resultant gain or loss is recognized. On the retirement or sale of a partial unit of proved property, the cost is charged to accumulated depreciation, depletion and amortization with a resulting gain or loss recognized in income.

On the sale of an entire interest in an unproved property, the gain or loss on the sale is recognized, taking into consideration the amount of any recorded impairment if the property had been assessed individually. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained.

Depreciation of the Company's other property and equipment is computed on individual assets using the straight-line method over the estimated useful lives from three to twenty years.

Income Taxes—The Company has elected to be taxed under the provisions of the Internal Revenue Code related to S Corporations. Under those provisions, the income of the Company for Federal and state income taxes is included in the income tax returns of the Company's shareholders. Where the Company remains liable for certain local income taxes, provision has been made for such taxes.

Long-lived Assets—Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. See footnotes 2 and 3 for further discussion around the Company's long-lived assets

Reclassifications—Certain prior year amounts have been reclassified to conform to the current year's presentation.

2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following for the years ended June 30, 2003 and 2002:

	2003	2002
Office equipment	$1,552,064	$ 826,468
Automobiles	14,262	14,262
Land	203,500	203,500
Leashold improvements	24,891	
Building	1,027,532	1,022,599
Total	2,822,249	2,066,829
Less accumulated depreciation, depletion and amortization	(833,071)	(686,027)
Total property and equipment	$1,989,178	$1,380,802

3. ASSETS HELD FOR SALE AND INVESTMENT IN AFFILIATES

At June 30, 2003 and 2002, the Company owned 45% ownership interest in KOC Acquisition Corp. The Company accounts for its investment using the equity method of accounting. KOC Acquisition Corp.'s only activity is its investment in Kingston Oil Corporation. At June 30, 2003 and 2002, Kingston Oil Corporation reported the following financial results:

	2003	2002
Assets	$2,958,976	$2,929,072
Liabilities	97,785	322,256
Revenues	736,297	189,452
Net income (loss)	301,644	(64,294)

At June 30, 2003 and 2002, the Company owned a 45% ownership interest in Hopco Ltd ("Hopco") a limited partnership that performs oil and gas exploration, drilling and production. The Company accounts for its investment using the equity method of accounting. At June 30, 2003 and 2002, Hopco reported the following financial results:

	2003	2002
Assets	$1,964,694	$1,699,673
Liabilities	1,833,965	1,384,299
Revenues	615,105	157,979
Net income (loss)	(184,573)	(45,309)

At June 30, 2003 the Company was actively working to sell their interests in all oil and gas related investments. As such, the assets associated with the working interests and equity method investments have been reclassified as "Held for Sale" and "Discontinued Operations" in the accompanying financial statements.

The Company completed a substantial portion of the sale of its share of the working interests prior to year-end. The remaining assets to be disposed of include leasehold costs, transportation systems, and meter stations. The assets are expected to be sold or otherwise disposed of within the next 12 months. The net revenues associated with working interests for the year ended June 30, 2003 were $8,085 and have been included as discontinued operations in the accompanying financial statements.

The Company performed an annual impairment test at June 30, 2003, and determined that the investment in KOC Acquisition Corp. was impaired by $148,024. This loss is shown as a separate component of operating income. Subsequent to June 30, 2003, but before the issuance of the financial statements, the Company completed the sale of their investment in KOC Acquisition Corp. No gain or loss was recorded on the sale. The sale of Hopco is expected to occur within the next 12 months.

4. NOTES PAYABLE AND SHORT-TERM DEBT

Notes payable consisted of the following for the years ended June 30, 2003 and 2002:

	2003	2002
Revolving note payable to bank with interest at the bank's prime rate less .50% (3.75% at June 30, 2003), due upon demand	$ 12,000,000	$ -
Note payable to related parties with interest at 9%, maturing between August 30 and September 30, 2007	2,430,000	-
Total notes payable	$ 14,430,000	$ -

The revolving note payable to bank allows borrowing up to specified levels for certain periods of time. At June 30, 2003, the maximum amount permitted was $100 million. The note payable agreement contains various covenants, which, among other things, require maintenance of certain financial ratios. At June 30, 2003, the Company was in compliance with all such covenants. The revolving note payable is secured by substantially all of the Company's assets and is guaranteed by a shareholder who is also an officer/director of the Company.

5. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended requires that entities recognize all derivatives as either assets or liabilities and measure such changes in fair value. Changes in the fair value of derivatives, to the extent that the hedges are effective, are included in earnings unless designated as a cash flow hedge. Changes in the fair value of derivatives that are designated as effective cash flow hedges are included in other comprehensive income.

The Company enters into fixed price contracts to sell natural gas to industrial, commercial and residential customers. These sales contracts extend to June of 2005. The Company uses exchange traded futures contracts and swap contracts to reduce its exposure to price changes of natural gas purchases relating to its fixed price sales contracts.

At June 30, 2003 and 2002, the Company held the following derivative instruments for the purpose of reducing exposure to changes in the price of natural gas:

	2003 Fair Value	2002 Fair Value
NYMEX Futures	$ 8,490,250	$7,377,050
Financial Swaps and Physical Forward Contracts	(444,672)	156,118

The fair value of financial instruments are based on management's best estimates using over-the-counter quotations and exchange prices. Unrealized gains or losses arising from natural gas hedging activities are included in the cost of gas purchases and transportation when the hedged sales commitments are satisfied.

The Company routinely enters into exchange traded futures transactions as part of its hedging activities. These transactions are executed through brokerage accounts with brokers who are registered with the Commodity Futures Trading Commission. Brokers require cash or cash related instruments to be deposited on these accounts to cover margins against the Company's open position. These deposits are reported as restricted cash.

Unrealized gains on futures contracts can be withdrawn by the Company. These amounts are recorded as Equity Advances from Brokers until the amount is returned to the broker or the gains are realized.

The following table represents the activity in other comprehensive income for derivative contracts that qualify as cash flow hedges at June 30, 2003:

Other Comprehensive Income Related to Cash Flow Hedges:

BALANCE—June 30, 2002	$ 7,143,270
Changes in fair value	11,858,520
Amounts realized in earnings	(7,143,270)
BALANCE—June 30, 2003	$11,858,520

In periods prior to the occurrence of the hedged transaction, the fair value of the hedges are recorded in the balance sheet with the resulting unrealized gains or losses reflected as a component of the other comprehensive income ("OCI"). As of June 30, 2003, $10,524,440 of fair value from the cash flow hedges in accumulated OCI is expected to be reclassified to earnings over the next 12 months as the hedged transactions occur.

Essentially all of the terms of the Company's cash flow derivatives match the terms of the underlying hedged item. For the year ended June 30, 2003, there was no ineffective portion of cash flow hedging activity.

The Company has derivatives under SFAS No. 133 that do not employ hedge accounting. The derivatives' fair values at June 30, 2003 and 2002 were as follows:

2003	Assets	Liabilities
Futures (non-cash flow hedges)	$ 17,470	$ (2,674,070)
Swaps and Physical Forwards	15,772	(460,444)
Industrial Sales Contracts	229,425	(2,037,567)
Producer Supply Contracts	8,118,503	
Total	$ 8,381,170	$ (5,172,081)

2002	Assets	Liabilities
Futures (non-cash flow hedges)	$ 1,680,500	$ (416,020)
Swaps and Physical Forwards	243,123	(87,005)
Industrial Sales Contracts	813,382	(1,537,915)
Producer Supply Contracts	1,328,381	(104,817)
Total	$ 4,065,386	$ (2,145,757)

The following table represents the net fair value of derivative contracts as reported on the balance sheets at June 30, 2003 and 2002:

	2003	2002
Net fair value of derivative contracts (non-cash flow hedges)	$ 3,209,089	$1,919,629
Net fair value of derivative contracts (cash flow hedges)	11,146,850	6,112,570
Fair value of derivative contracts	$14,355,939	$8,032,199

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company believes that the fair value of its financial instruments approximated the carrying value of those instruments at June 30, 2003 and 2002.

Cash, Accounts Receivable, Accounts Payable and Accrued Expenses—The carrying amounts of these items are a reasonable estimate of their fair value due to the short maturity of these instruments.

Available-for-Sale Equity Securities—The securities that have a readily determinable fair value, as defined in SFAS No. 115, were valued using available market quotes. At June 30, 2003 and 2002, it was not practical to estimate the fair value of an investment representing approximately 19% of Gatherco, Inc., an untraded company. This investment is accounted for using the cost method and is reported in available-for-sale securities. The investment's carrying value at June 30, 2003 and 2002 was $412,023.

Notes Payable—For notes payable with interest rates that fluctuate with rates of the lending institutions, the carrying value is a reasonable estimate of fair value. For other notes payable, the estimated fair value was determined by comparing the interest rates and terms of the note agreements to debt instruments with similar terms and remaining maturities.

7. RELATED PARTIES

The Company has certain investments in oil and gas producing properties from which it purchases and sells inventory (see Note 3). The account balances and transactions with these entities, as of June 30, 2003 and 2002, are summarized below:

2003	**KOC**	**HOPCO**
Sales	$ 3,100,000	$ -
Accounts receivable	542,000	-
Purchases	4,800,000	-
Accounts payable	631,000	-
Prepaid gas	-	10,000
Short-term note receivable	-	211,000

2002	**KOC**	**HOPCO**
Purchases	$ -	$ 122,000
Accounts payable	-	26,000
Prepaid gas	-	31,000
Short-term note receivable	-	50,000

Additionally, the Company had notes payable to related parties of $2,430,000 at June 30, 2003 (see Note 4).

8. EMPLOYEE BENEFITS

On January 1, 2000, the Company established a 401(k) plan for eligible employees for which contributions are made. Total contributions by the Company under this plan were $58,842 for the year ended June 30, 2003.

9. COMMITMENTS AND GUARANTEES

The Company has entered into fixed price natural gas purchase commitments to supply its industrial, commercial and residential customers. These contracts have expiration dates ranging from July of 2003 to March of 2005. The minimum commitments under these contracts are for approximately 6,279,000 mmbtu and 892,000 mmbtu for the fiscal years ending June 30, 2004 and 2005, respectively. Many of these contracts require minimum purchases ("take-or-pay") of gas under which the buyer agrees to pay for a minimum quantity of gas in a year. On the basis of the Company's current expectations of demand from its gas customers as compared with its take-or-pay obligation under such purchase contracts, management does not consider it likely that any material payments will become due from the Company for gas not taken.

The Company is the gu[illegible]iliate, Hopco, Ltd.

The Company leases certain office space and equipment under operating leases. For the year ended June 30, 2003, lease expense totaled approximately $33,096. At June 30, 2003 the future minimum lease payments under non-cancelable operating leases are as follows:

Year	Amount
2004	$59,448
2005	60,820
2006	35,489

10. COMMON STOCK

The Company's 740 shares of Class A (voting) common stock is owned by five individuals. The shareholders entered into a Close Corporation Agreement effective January 1, 2001, which gives the Company the right of first refusal to purchase shares from individual shareholders. In addition, the agreement requires that the Corporation shall make periodic cash distributions to each shareholder in amounts sufficient to offset each shareholder's Federal, state and local income tax liabilities arising from the inclusion, in such shareholder's taxable income, of the Corporation's taxable income for the year. Additionally, the Company authorized and issued 73,260 shares of Class B (non-voting) common stock during fiscal year 2003. This stock is owned by the Class A shareholders and a variety of private trusts.

11. CONTINGENCIES

The Company is involved in various litigation and claims arising out of the normal course of its business. Management believes that the final outcome of these matters will not materially affect the future results of operations or financial position of the Company.

* * * * * *

FILE UNDER SEAL

CONTAINS TRADE SECRETS, CONFIDENTIAL, AND PROPRIETARY INFORMATION

THIRD AMENDED AND RESTATED REVOLVING CREDIT LOAN AND SECURITY AGREEMENT

Among

INTERSTATE GAS SUPPLY, INC.,
INTERSTATE GAS SUPPLY OF ILLINOIS, INC.

VARIOUS LENDERS
FROM TIME TO TIME PARTY HERETO

and

FIFTH THIRD BANK, an Ohio banking corporation,
as Agent

DATED AS OF NOVEMBER 14, 2003

EXHIBIT C-4
PRIVILEDGED AND CONFIDENTIAL

FILE UNDER SEAL

CONTAINS TRADE SECRETS, CONFIDENTIAL, AND PROPRIETARY INFORMATION

SCHEDULE 1

COMMITMENTS

NAME OF LENDER	COMMITMENT
Fifth Third Bank	$30,000,000
M&I Marshall & Ilsley Bank	$25,000,000
Sky Bank	$20,000,000
Huntington National Bank	$20,000,000
U.S. Bank National Association	$15,000,000
National City Bank	$10,000,000
WesBanco Bank, Inc.	$10,000,000
Bank One, NA	$10,000,000
TOTAL	$140,000,000