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March 26, 2013

Scott Farkas
Attorney Examiner
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215

Re: Status Report: Case No. 12-2576-GA-CSS, *In the Matter of the Complaint against KNG Energy, Inc. by Ohio Intrastate Energy, LLC and Request for Approval of Immediate Substitution of Service and for Approval of Transition Plan*

Dear Scott:

Pursuant to your request, we provide the following update on the negotiations between Ohio Intrastate Energy ("OIE") and KNG Energy ("KNG") to resolve the pending complaint amicably.

Following discussions between Sandy Roller, KNG's president and Scott Rothey, OIE's Manager, KNG Energy provided Ohio Intrastate Energy with proposals for transportation and facilities agreements on January 18, 2013. An issue which was not addressed in the proposals was the transfer of OIE's interest in Station No. 708690, the North Baltimore interconnection with Columbia Gas Transmission, LLC, to KNG and the consideration for such transfer.

By exchange of correspondence between Ms. Roller and Mr. Rothey on February 5, Ms. Roller indicated that KNG did not see any advantage in this interconnection as a delivery point from Columbia Transmission into the KNG Pipeline downstream of the Station No. 708690, but invited OIE to submit a proposed price for the transfer of OIE's rights in the station for submission to and consideration by the KNG Board of Directors.

OIE intends to respond to KNG's request as soon as possible. However, there are publicly announced, significant proposed changes in pipeline utilization and flow that OIE believes have a direct bearing on the value of Station 708690, and thus have occasioned some delay in responding to KNG's request.

Specifically, a joint venture has been announced by Harvest Pipeline, Somerset Gas (the operator of the 164 mile 12 inch North Coast Gas Transmission pipeline) and NiSource, Inc.

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(whose subsidiary operates Crossroads Pipeline's 20 inch, 202 mile natural gas pipeline across Northern Indiana and Northern Ohio). The joint venture would abandon natural gas transmission service through those pipelines, re-task them to carry natural gasoline and light condensate liquids to interconnections with Kinder Morgan's Cochin Pipeline near Hammond, Indiana (to be converted to liquids service by mid-2014) and Enbridge's Southern Lights Pipeline near Chicago for transmission to Western Canadian diluent markets (the blend of natural gasoline and condensate is employed to dilute tar sands to permit pipeline transmission of the tar sands to refineries). Harvest Pipeline would construct 60 miles of new 12 inch pipeline to connect with the Crossroads/North Coast system in Eastern Ohio. Utilizing the existing natural gas pipelines provides cost advantages for carriage of the liquids, and accelerates the timeline for initiating deliveries.

The joint venture has indicated it will conduct an open season for potential shippers imminently. The point is, when Crossroads/North Coast are reconfigured as liquids pipelines, the meter stations currently delivering natural gas to KNG must be abandoned and Station 708690's interconnection with Columbia Transmission, LLC will become a low cost, available delivery point for deliveries into the KNG pipeline. The publicly announced timeline envisions the execution of binding Transportation Services agreements with liquids shippers in May, and FERC decertification of the pipelines as natural gas pipelines in June 2014 or sooner, with pipeline construction to be completed by December 2014. Deliveries to Cochin and Southern Lights are projected to commence by January 2015.

As you know, the respective contractual rights and obligations of KNG and OIE regarding access to, and maintenance of, the KNG pipeline which KNG acquired from the Village of Deshler, and which serves the Hoytville Lateral that OIE has acquired through lease from Hoytville and purchase from the Village of McComb, remain a matter of dispute between the parties. Both KNG and OIE acknowledge that the resolution of that dispute is not a matter jurisdictional to the Commission, but to the courts unless an amicable resolution can be reached. OIE will seek to initiate discussions aimed at resolving these issues short of litigation. However, the respective rights and obligations of the parties under the contract rights of the Villages from whom each received those rights, along with the issues properly before the Commission, each must be resolved to move forward.

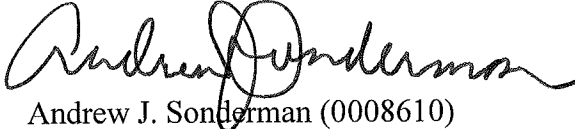
For these reasons, OIE suggests that it will contribute to the resolution of this case to maintain the status quo for the time being. OIE commits to diligently pursue that resolution.

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Please contact me with any questions regarding this correspondence.

Very truly yours,



Andrew J. Sonderman (0008610)
Kegler Brown Hill & Ritter, LPA

cc: Barth Royer
Counsel for KNG Energy, Inc.

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Case No(s). 12-2576-GA-CSS

Summary: Report Status Report electronically filed by Mr. Andrew J Sonderman on behalf of Ohio Intrastate Energy, LLC