

FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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PUCO

In the Matter of the Application of Columbia
Gas of Ohio, Inc. for Approval of an Agreement
with Knox Energy Cooperative Association, Inc.

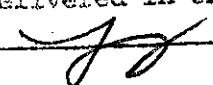
Case No. 06-1362-GA-AEC

APPLICATION AND STATEMENT
OF COLUMBIA GAS OF OHIO, INC.

Now comes the applicant, Columbia Gas of Ohio, Inc. ("Columbia"), and files with the Public Utilities Commission of Ohio (the "Commission") for its approval pursuant to the provisions of Ohio Revised Code § 4905.31, an agreement (attached as Attachment A hereto) with Knox Energy Cooperative Association, Inc. ("Knox").

In support of this application, Columbia represents to the Commission that:

1. Columbia is a public utility and natural gas company subject to the jurisdiction of this Commission by virtue of the provisions of Ohio Revised Code §§ 4905.02 and 4905.03(A)(6).
2. Knox is an Ohio cooperative providing natural gas service to its members.
3. On November 9, 2006, Columbia and Knox entered into a Transportation Agreement for Columbia provide natural gas transportation service to facilities owned by Knox to serve its members in three project areas: 1. Vilnius-Brunswick, 2. Autumn Meadows-Seville, and 3. Ironton Metropolitan Housing Authority (collectively, "Projects"). Due to the nature of the transaction, Columbia seeks approval of the Transportation Agreement with Knox as a special contract pursuant to Ohio Revised Code § 4905.31.

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4. Natural gas service is not currently available to residents in these projects.

Commission approval of the Transportation Agreement in compliance with Ohio Revised Code § 4905.31 will enable Knox to offer natural gas service to the residents of these projects.

5. Columbia requests that the Commission act on this Application as expeditiously as possible. Approval by the Commission of this Transportation Agreement will allow Columbia and Knox to complete the necessary administrative and financial arrangements in order to provide natural gas service to the residents of these Projects as soon as possible.

WHEREFORE, Columbia requests that the Commission approve the attached Transportation Agreement between Columbia and Knox, for the reasons stated herein.

Respectfully submitted,

COLUMBIA GAS OF OHIO, INC.

By:


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**ATTORNEYS FOR
COLUMBIA GAS OF OHIO, INC.**

ATTACHMENT A

TRANSPORTATION AGREEMENT

THIS TRANSPORTATION AGREEMENT ("Agreement") is entered into as of the 9th of November, 2006, by and between Columbia Gas of Ohio, Inc., 200 Civic Center Drive, P.O. Box 117, Columbus, OH 43216-0117 ("Columbia"), and Knox Energy Cooperative Association, Inc. ("Shipper"). Columbia and Shipper may individually be referred to as "Party" or collectively as "Parties."

WHEREAS, Columbia is a natural gas distribution company providing retail gas service to customers located throughout the State of Ohio, including gas transportation service for customer-owned volumes of gas, in accordance with rate schedules approved by the Public Utilities Commission of Ohio ("Commission" or "PUCO"); and,

WHEREAS, Shipper, who is not subject to the Commission's jurisdiction, wishes to provide natural gas service to its cooperative members, in the following three projects: (i) Vilnius-Brunswick; (ii) Autumn Meadows-Seville; and, and (iii) Ironton Metropolitan Housing Authority (collectively, "Projects"); and,

WHEREAS, Shipper desires service to commence prior to the Commission's approval of Columbia's FRCTS Rate;

WHEREAS, accordingly, Shipper wishes to contract with Columbia to transport volumes of natural gas to a delivery point so as to enable Shipper to provide such service to its cooperative members; and,

WHEREAS, Columbia is willing to provide such gas transportation service, under the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual premises and covenants hereinafter set forth, the parties mutually agree as follows:

1. The firm transportation rate for delivery service to Shipper provided pursuant to this Agreement will be \$0.50 per Mcf of transportation throughput *plus* a full firm balancing rate of \$0.468 per Mcf ("Projects Rate"), for a period of ten (10) years, for the following three projects: (i) Vilnius-Brunswick; (ii) Autumn Meadows-Seville; and, and (iii) Ironton Metropolitan Housing Authority (collectively, "Projects"). The ten-year term of Projects Rate for each of the respective Projects shall commence on the date that Columbia first delivers natural gas delivery for each of the respective Projects, and shall expire ten years from those respective dates. Following the expiration of each of the respective Projects Rate, the then-current rate for such service set forth in Columbia's tariffs shall apply. All other rights and obligations between the Parties with respect to the Projects shall be pursuant to Columbia's Commission-approved tariffs.

2. Gas delivered to Shipper by Columbia will be pursuant to arrangements between Shipper and a third party supplier chosen by Shipper. Shipper is limited to receiving gas into a single nomination group exclusive to these accounts from only one third party supplier in any given month.

3. With the exception of those provisions specifically identified within this Agreement, Columbia agrees to provide, and Shipper agrees to take gas transportation service from Columbia in accordance with the terms and conditions of "Section VII Competitive Retail Natural Gas Service", until the Commission's approval of Columbia's Full Requirements Cooperative Transportation Service "FRCTS" tariff. After approval of Columbia's FRCTS tariff and any successor tariffs, as amended from time to time, Columbia agrees to provide and Shipper agrees to take gas transportation service in accordance with the terms and conditions set forth therein with the exception of those provisions specifically identified within this Agreement. ,

Pursuant to the terms of this Agreement, the third party supplier is not required to be certified by the Commission, nor is Shipper subject to any payment of minimum capacity costs recovery provisions set forth in Section VII, Part 17 of Columbia's Competitive Retail Natural Gas Service tariffs. In all other matters, any third party supplier elected by Shipper must deliver gas in accordance with Columbia's Customer CHOICESM Program Daily Delivery, Capacity Assignment Option, Balancing Service requirements, and all other applicable provisions set forth in Columbia's Competitive Retail Natural Gas Service tariff provisions set forth in Section VII of Columbia's tariff as may be amended from time to time.

4. Except as otherwise provided in this Agreement, service to Shipper shall be governed by Columbia Gas' Rules and Regulations Governing the Distribution and Sale of Gas, as approved by the PUCO from time to time.

5. The term of this Agreement shall continue for a period of ten (10) years ("Initial Term"). Following the expiration of the Initial Term, this Agreement shall be replaced by the then-current Commission-approved tariff in effect for comparable service, and this Agreement shall have no force or effect.

6. Either party may, without relieving itself of its obligations under this Agreement, assign any of its rights hereunder to a wholly-owned subsidiary, parent, or affiliate of the party, but otherwise this Agreement shall be subject to assignment only with the prior written consent of the other party, which consent shall not be unreasonably withheld. This Agreement shall be binding upon the parties hereto, their successors and assigns.

7. The parties further recognize that this Agreement, is subject to the approval of the PUCO. The parties agree to use their best efforts to obtain the approval of the PUCO. This Agreement shall be null and void if this Agreement is not approved by the PUCO. If the PUCO

approves the filings but modifies this Agreement in a manner that is not acceptable to either party, then such party may terminate this Agreement, by providing written notice to the other party within ten (10) days after issuance of the PUCO order modifying the Agreement.

8. The interpretation and performance of this Agreement shall be governed by the laws of the State of Ohio.

9. Except for the obligation to make payments for the services hereunder, neither party to this Agreement will be liable for any other act or omission which was directly attributable to events of *force Majeure* which shall mean act of God, including, but not limited to, lightning, earthquakes, storms and floods; and, in addition, shall mean any acts of the enemy, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, fires, washouts, arrests and restraints, civil disturbances, explosions, breakages of or accidents to machinery or lines of pipe, failure of equipment or materials, freezing of wells or delivery facilities, order of a court of governmental authority, or any other event which is beyond the party claims *force Majeure*, provided that such event was not caused by the negligent or intentional act or omission of such party, and provided, further, that such party cannot, through reasonable diligence, remedy the *force Majeure* event. Neither party may claim *force Majeure* (1) to the extent that such party's failure to perform its obligations hereunder was due to the contributory negligence of such party, (2) to the extent that such party's failure to perform its obligations hereunder was due to its failure to remedy a *force Majeure* condition through reasonable diligence, or (3) the extent that such party's failure to perform its obligations was due to economic hardship, which shall not constitute *force Majeure* for purposes of this Agreement.

10. This Agreement contains the entire agreement of the parties, and except as provided herein, there are no oral promises, agreements, or warranties, obligations, assurances, or conditions precedent thereto.

11. Any changes, amendments or revisions to this Agreement shall not be effective unless and until such changes, amendments or revisions are in writing and signed by authorized representatives of both parties.

12. The failure of either party to insist upon strict performance by the other party or either party's failure or delay in exercising any rights or remedies provided in the Agreement or by law shall not be deemed or construed as a waiver of any claims. No waiver by either party of a breach of any provision of the Agreement shall constitute or be construed as a waiver of any other breach or of that provision.

IN WITNESS WHEREOF, the undersigned have executed this Agreement on the date and year set forth above.

Attested by Shipper

By: _____

Title: _____

Attested by Columbia:

By: _____

Title: _____

Executed by Shipper

By: _____

Name: David J. Eigel

Title: Agent

Executed by Columbia:

By: M. Carol Fox

Name: M. CAROL FOX

Title: VP