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PUCO

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Honorable Chairman Alan R. Schriber
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, OH 43215

Re: Columbia Energy Group/NiSource, Inc. Proposed Merger
PUCO Case No. 00-762-GA-UNC

Dear Chairman Schriber:

I received a copy of the letter addressed to you by Mr. Glenn Krassen, counsel for The Ohio Schools Council, in which he asks for reconsideration of the Petition docketed at the Commission at 2:07 p.m. on Tuesday, May 2. That Petition sought an order from the Commission requiring Columbia of Ohio, NiSource and Columbia Energy Group to file a formal application for approval of the merger between NiSource and Columbia Energy Group.

This Petition, and the letter Mr. Krassen subsequently sent you, ignore the thoughtful consideration given by the Commission and its Staff to the implications of the indirect change in ownership of Columbia Gas of Ohio. Moreover, laying the Petition beside the commitment letter Columbia's President and CEO, Bob Skaggs, sent you, it is clear that the purported concerns expressed by Mr. Krassen relative to Columbia of Ohio's continued community presence, commitment to outstanding customer service and Customer CHOICESM and the intention of NiSource to maintain headquarters and employees in current state are addressed with one notable exception.

That exception, of course, is Mr. Krassen's two-part premise that there will be significant savings at the operational level attributable to the merger, and that he is entitled to a share of those savings in the form of a discounted multi-year prepayment arrangement for Columbia of Ohio's delivery service to the schools he represents.

This premise cannot stand scrutiny in either regard. First, as the Commission and its Staff have found on the basis of their structural review of the merger, no significant operational savings will derive from this convergence merger. This was the same finding the Commission recently made in reviewing the Dominion Resources/Consolidated Natural Gas merger and recognizes that the merger is simply not driven by plans to consolidate operations of the operating companies of the merging holding companies. Any corporate savings attributable to consolidation of support and administrative functions will be considered in the context of future rate reviews---after the rate moratorium expires in October, 2004---at least ten years since the last increase in delivery charges by Columbia Gas of Ohio.

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Mr. Schriber

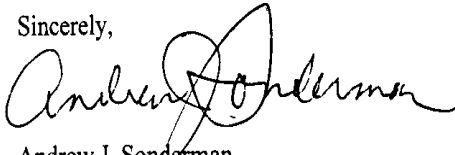
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Second, it is indefensible that Mr. Krassen's client schools should be granted a deeply discounted multi-year delivery service as the "price" for this merger; if the prepayment deal made economic sense for Columbia Gas of Ohio and its other consumers, we would obviously consider it.

However, the ultimatum presented by Mr. Krassen was based on a fifteen-year prepayment discount that would have constituted a frank subsidy of service to his client group. It is worth noting that Mr. Krassen has not succeeded in negotiating such an arrangement with East Ohio Gas, either. The Commission can be under no misapprehension that Mr. Krassen's professed concerns for service quality, community presence and involvement are a mere pretext. Again, it should be clear from the letter Mr. Krassen sent to Columbia of Ohio's Tom Brown, Director of Regulatory Affairs, that there was a single quid pro quo for his proposal to forebear "vigorously opposing" the merger: Columbia's acceptance of the prepayment deal he demanded.

Putting aside his questionable jurisdictional claims, Mr. Krassen ignores the fact that the Commission has reviewed this merger, has received appropriate commitments from Columbia Gas of Ohio and the merging parent corporations, and has found the merger has no adverse impact on the Commission's jurisdiction to protect Ohio consumers. That is sufficient. Therefore, we suggest that the untimely Petition, and the subsequent letter requesting reconsideration, be ignored as moot and raising no new issues. Similarly, the memorandum in support of the Ohio Schools Council petition filed by the City of Toledo identifies concerns about employment levels that are satisfactorily addressed in the commitment letter you received from Bob Skaggs.

Sincerely,



Andrew J. Sonderman
General Counsel

cc: The Honorable Ronda Hartman Fergus, PUCO
The Honorable Craig A. Glazer, PUCO
The Honorable Judith A. Jones, PUCO
The Honorable Donald L. Mason, PUCO
Glenn S. Krassen
Senator Grace Drake
Senator Robert A. Gardner
Thomas J. Brown, Jr.