SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

COLUMBIA ENERGY GROUP

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SIC: **4923** Natural gas transmisison & distribution

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Commission File No. 1-1098

As filed with the United States Securities and Exchange Commission on March 26, 1999.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended DECEMBER 31, 1998

or

| | TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _____ to _____

C O L U M B I A E N E R G Y G R O U P

(Exact name of registrant as specified in its charter)

Delaware	13-1594808
(State or other Jurisdiction of incorporation or organization)	(I.R.S. Employer (Identification No.)
13880 Dulles Corner Lane, Herndon, VA	20171-4600
(Address of principal executive officers)	(Zip Code)

Registrant's telephone number, including area code (703) 561-6000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $10 Par Value	New York Stock Exchange

Debentures

6.39% Series A due November 28, 2000
6.61% Series B due November 28, 2002
6.80% Series C due November 28, 2005
7.05% Series D due November 28, 2007
7.32% Series E due November 28, 2010
7.42% Series F due November 28, 2015
7.62% Series G due November 28, 2025

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the proceeding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes |X| or No | |

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. |X|

The aggregate market value of the outstanding common shares of the Registrant held by nonaffiliates as of February 28, 1999, was $4,189,550,000. For purposes of the foregoing calculation, all directors and/or officers have been deemed to be affiliates, but the registrant disclaims that any of such directors and/or

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officers is an affiliate.

The number of shares outstanding of each class of common stock as of February 28, 1999, was: Common Stock $10 Par Value: 83,507,697 shares outstanding.

Documents Incorporated by Reference

Part III of this report incorporates by reference specific portions of the Registrant's Proxy Statement relating to the 1999 Annual Meeting of Stockholders.

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PART 1

ITEM 1. BUSINESS

General

Columbia Energy Group (Columbia), formerly The Columbia Gas System, Inc. and its subsidiaries comprise one of the nation's largest integrated natural gas systems engaged in natural gas transmission, natural gas distribution, and exploration for and production of natural gas and oil. Columbia is also engaged in related energy businesses including the marketing of natural gas and electricity, the generation of electricity, primarily fueled by natural gas, and the distribution of propane. Columbia, organized under the laws of the State of Delaware on September 30, 1926, is a registered holding company under the Public Utility Holding Company Act of 1935, as amended, (1935 Act) and derives substantially all its revenues and earnings from the operating results of its 18 direct subsidiaries. Columbia owns all of the securities of these direct subsidiaries except for approximately 8 percent of the stock in Columbia LNG Corporation.

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Columbia and its subsidiaries are sometimes collectively referred to herein as the Columbia Group.

On January 20, 1998, Columbia announced that its name had been changed from The Columbia Gas System, Inc. to Columbia Energy Group to better reflect its expanded participation in the energy marketplace.

Columbia and its principal pipeline subsidiary, Columbia Gas Transmission Corporation (Columbia Transmission), emerged from bankruptcy on November 28, 1995, after filing separate petitions for protection under Chapter 11 of the Federal Bankruptcy Code (Bankruptcy Code) on July 31, 1991. During the bankruptcy period, both Columbia and Columbia Transmission were debtors-in-possession under the Bankruptcy Code and continued to operate their businesses in the normal course subject to the jurisdiction of the United States Bankruptcy Court for the District of Delaware.

Transmission and Storage Operations

Columbia's two interstate pipeline subsidiaries, Columbia Transmission and Columbia Gulf Transmission Company (Columbia Gulf), operate a 16,700-mile pipeline network extending from offshore in the Gulf of Mexico to Lake Erie, New York and the eastern seaboard. In addition, Columbia Transmission operates one of the nation's largest underground natural gas storage systems. Together, Columbia Transmission and Columbia Gulf serve customers in fifteen northeastern, midatlantic, midwestern, and southern states and the District of Columbia. Columbia Gulf's pipeline system extends from offshore Louisiana to West Virginia and transports a major portion of the gas delivered by Columbia Transmission. It also transports gas for third parties within the production areas of the Gulf Coast. Columbia Pipeline Corporation and its wholly-owned subsidiary, Columbia Deep Water Services Company, were formed to operate pipeline and gathering facilities that are not regulated by the Federal Energy Regulatory Commission (FERC).

Columbia Transmission and Columbia Gulf provide an array of competitively priced natural gas transportation and storage services for local distribution companies and industrial and commercial customers who contract directly with producers or marketers for their gas supplies.

During 1998, Columbia Transmission continued construction of the largest ever expansion of its storage and transportation system. In April 1998, the second phase of storage service began and transportation service started in November 1998. Upon completion, which is expected in 1999, the expansion will add approximately 500,000 Mcf per day of firm service to 23 customers. Columbia Transmission is also participating in the proposed 442-mile Millennium Pipeline Project that has been submitted to the FERC for approval. As proposed, the project will transport approximately 700,000 Mcf per day of natural gas from the Lake Erie region to eastern markets. For additional information regarding the transmission and storage operation's expansion projects see Item 7, page 22.

Distribution Operations

Columbia's five distribution subsidiaries provide natural gas service to nearly 2.1 million residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky and Maryland. Approximately 32,000 miles of distribution pipelines serve these major markets. The distribution subsidiaries have initiated transportation programs that allow residential and small commercial customers the opportunity to choose their natural gas suppliers and to use the distribution subsidiaries for transportation service. This ability to choose a supplier was previously limited to larger commercial and industrial customers. See "Competition" on page 27 for additional information.

Exploration and Production Operations

Columbia's exploration and production subsidiary, Columbia Energy Resources, Inc. (Columbia Resources), explores for, develops, gathers and produces natural gas and oil in Appalachia and Canada. As of December 31, 1998, Columbia Resources held interests in approximately 2.7 million net acres of gas and oil leases and had proved gas reserves of 802 billion cubic feet of natural gas equivalent. In August 1997, Columbia Resources acquired Alamco, Inc. (Alamco), an Appalachian gas and oil exploration and development company. During the first quarter of 1998, Columbia Resources purchased 26 producing wells and approximately 5,000 undeveloped acres in Ontario, Canada. Through its operations in north-central West Virginia, southern Kentucky and northern Tennessee, Columbia Resources is one of the largest-volume independent natural gas and oil producers in the Appalachian Basin. For additional information, see Item 7, page 32.

Marketing Operations

Columbia Energy Services Corporation (Columbia Energy Services), and its subsidiaries conduct Columbia's nonregulated natural gas and electric power marketing operations and provide an array of energy supply and fuel management services to distribution companies, independent power producers and other large

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end-users both on and off Columbia's transmission and distribution pipeline systems. Columbia Energy Services is also providing natural gas supplies to retail customers as a result of the unbundling of services that is occurring at the local distribution level. Columbia Energy Services, through its subsidiary, Columbia Service Partners, Inc. (Columbia Service), provides a variety of energy-related services to both homeowners and businesses. In 1997, Columbia Energy Services acquired PennUnion Energy Services L.L.C. (PennUnion), an energy-marketing affiliate of the Pennzoil Company. See Item 7, page 34, for additional information.

Propane, Power Generation and LNG Operations

Columbia Propane Corporation (Columbia Propane) sells propane at wholesale and retail to nearly 113,750 customers in parts of 10 states and the District of Columbia. In 1998, Columbia Propane purchased the propane assets of three companies that added approximately 12,500 new customers and 6.4 million gallons of annual propane sales to Columbia Propane.

Columbia Electric Corporation's (Columbia Electric) primary focus has been the development, ownership and operation of natural gas-fueled cogeneration power plants that sell electric power to local electric utilities under long-term contracts. Columbia Electric is part owner in three cogeneration projects. These facilities produce both electricity and useful thermal energy fueled principally by natural gas. Columbia Electric holds various interests in these facilities that have a total capacity of approximately 250 megawatts.

In June 1998, Columbia Electric and LG&E Power Inc., a subsidiary of LG&E Energy Corporation, announced an agreement for Columbia to participate in the development of a gas-fired cogeneration project that would have a total equivalent capacity of approximately 550 megawatts. The facility will provide steam and electric services to a Reynolds Metals plant in Gregory, Texas, and will also provide electricity to the Texas energy market. Construction began in August 1998 and financing for the $257 million project was secured in November of 1998.

In January 1998, Columbia Electric and Westcoast Energy Inc. signed a joint ownership agreement to develop three gas-fired electric generation plants by 2001. In total, the three plants would provide approximately 1,000 megawatts of electricity using approximately 160 MMcf per day of natural gas. In August 1998, a site was purchased in Pennsylvania to build the first plant that will cost about $300 million to develop and would produce 500 megawatts of electricity and consume approximately 80 MMcf per day of natural gas. Each of the sponsors will own a 50% interest in the project. The exact locations of the other two plants have yet to be determined.

Columbia LNG Corporation is a partner with Potomac Electric Power Company in the Cove Point LNG Limited Partnership (Partnership). The Partnership owns one of the largest natural gas peaking and storage facilities in the United States located in Cove Point, Maryland. The facility has the capacity to liquefy natural gas at a rate of 15,000 Mcf of natural gas per day. The facility enables liquefied natural gas to be stored until needed for the winter peak-day requirements of utilities and other large gas users.

Columbia Network Services Corporation (Columbia Network), a wholly owned subsidiary of Columbia, and its subsidiaries provide telecommunications and information services and assist personal communications services and other microwave radio service licensees in locating and constructing antenna facilities.

Columbia Transmission Communications Corporation, another Columbia subsidiary, is involved in the development of a dark fiber optics network for voice and data communications.

For additional discussion of the Columbia Group's business segments, including financial information for the last three fiscal years, see Item 7, pages 22 through 38 and Note 16 on pages 64 through 65 of Item 8.

Competition and Business Strategies

Open access to natural gas supplies over interstate pipelines and the deregulation of the commodity price of gas has led to tremendous change in the energy markets, which continue to evolve. During this period, local distribution (LDC) customers and marketers began to purchase gas directly from producers and marketers and an open competitive market for gas supplies emerged. This separation or "unbundling" of the transportation and other services offered by pipelines and LDCs allows customers to select the service they want independent from the purchase of the commodity. Columbia's distribution subsidiaries are involved in programs that provide residential customers the opportunity to purchase their natural gas requirements from third parties and use the distribution subsidiaries for transportation services. It is likely that, over time, distribution companies will have a very limited merchant function. At the same time that the natural gas markets are evolving, the markets for competing energy sources are also changing. Open access to interstate transmission of

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electricity was approved by the FERC in 1997 and is providing for increased competition in the market for electricity as well. For additional information regarding competition, see Item 7.

In order to capitalize on the opportunities presented by this increasingly competitive environment, Columbia's management has been implementing a more responsive, entrepreneurial, customer-focused organization that will utilize Columbia's core asset strengths, its expansive customer base and its knowledge and experience in the energy markets and expects to establish Columbia as a "total energy company," a leading provider of energy and energy-related services.

An integral part of Columbia's financial strategy is the application of a value added approach, called Columbia Value Added (CVA), to all of its businesses. CVA is a financial process as well as a financial measure that determines whether the anticipated return on a business activity or project exceeds its risk adjusted capital cost. All discretionary capital expenditures are subject to the CVA process. CVA is also being employed in Columbia's strategic planning process and is one of the tools used to set management compensation levels.

One of management's objectives is to continue to improve the quality of its credit rating and to better position Columbia to take advantage of business opportunities as they arise. To further enhance its financial flexibility, Columbia has a $900 million five-year revolving credit facility and a $450 million 364-day revolving credit facility with a one-year loan option. The five-year facility provides for the issuance of up to $300 million of letters of credit. In 1998, Moody's Investors Service, Inc. (Moody's) and Fitch Investors Service (Fitch), upgraded Columbia's long-term debt rating to A3 and A, respectively. Standard & Poor's Ratings Group (S&P) rates Columbia's long-term debt at BBB+. Columbia's commercial paper ratings are F-1 by Fitch, P-2 by Moody's and A-2 by S&P.

The foregoing discussion and Item 3 include statements regarding market risk sensitive instruments and contains "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Investors and prospective investors should understand that several factors govern whether any forward-looking statement contained herein will be or can be achieved. Any one of those factors could cause actual results to differ materially from those projected herein. These forward-looking statements include, but are not limited to, statements concerning Columbia's plans, objectives, expected performance, expenditures and recovery of expenditures through rates, stated on either a consolidated or segment basis, and including any and all underlying assumptions and other statements that are other than statements of historical fact. From time to time, Columbia may publish or otherwise make available forward-looking statements of this nature. All such subsequent forward-looking statements, whether written or oral and whether made by or on behalf of Columbia, are also expressly qualified by these cautionary statements. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially. Realization of Columbia's objectives and expected performance is subject to a wide range of risks and can be adversely affected by, among other things, competition, weather, regulatory and legislative changes as well as changes in general economic and capital and commodity market conditions many of which are beyond the control of Columbia. In addition, the relative contributions to profitability by segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time.

With respect to any references made to ratings assigned to Columbia's debt securities, there can be no assurance that Columbia will be successful at maintaining its credit quality or that such credit ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by these rating agencies. Credit

ratings reflect only the views of the rating agencies, whose methodology and the significance of their ratings may be obtained from them.

Other Relevant Business Information
Columbia Group's customer base is broadly diversified, with no single customer accounting for a significant portion of revenues.

As of February 28, 1999, the Columbia Group had 8,564 full-time employees of which 1,715 are subject to collective bargaining agreements.

Columbia's subsidiaries are subject to extensive federal, state and local laws and regulations relating to environmental matters. These laws and regulations, which are constantly changing, require expenditures for corrective action at various operating facilities, waste disposal sites and former gas manufacturing sites for conditions resulting from past practices that have subsequently become subject to environmental regulation. Information relating to environmental matters is detailed in Item 7, pages 24 and 29, and in Item 8, Note 13(H) on

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page 62.

For a listing of the direct subsidiaries of Columbia refer to Exhibit 21.

ITEM 2. PROPERTIES

Information relating to properties of subsidiary companies is detailed below and on page 8 and page 48 of Item 8 under Note 1(F). Assets under lien and other guarantees are described on page 61 in Note 13D of Item 8.

Neither Columbia nor any subsidiary knows of material defects in the title to any real properties of the subsidiaries of Columbia or any material adverse claim of any right, title, or interest therein, pending or contemplated. Substantially all of Columbia Transmission's property has been pledged to Columbia as security for First Mortgage Bonds issued by Columbia Transmission to Columbia.

EXPLORATION AND DEVELOPMENT DATA

Acreage - at December 31, 1998

	Developed Acreage		Undeveloped Acreage	
	Gross	Net	Gross	Net
United States ..	1,431,245	1,407,557	842,405	721,999
Canada	--	--	5,432	4,002
Total	1,431,245	1,407,557	847,837	726,001

Net Wells Completed - 12 Months Ended December 31,

	Exploratory		Development		Total	
	Productive	Dry	Productive	Dry	Productive(a)	Dry
United States ..						
1998	5	1	136	32	141	33
1997	--	--	84	18	84	18
1996	--	--	19	18	19	8
Canada						
1998	--	1	--	1	--	2

Productive and Drilling Wells - At December 31, 1998

	Production Wells					
	Gross		Net		Wells Drilling	
	Gas	Oil	Gas	Oil	Gross	Net
United States ..	7,059(b)	126	6,650	72	84	61
Canada	14	11	7	5	4	3
Total	7,073	137	6,657	77	88	64

(a) Includes 1 net horizontal well in 1996.
(b) Includes 600 multiple completion gas wells, all of which are included as single wells in the table. Also includes 1 gross productive horizontal well.

ITEM 2. PROPERTIES (continued)

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GAS PROPERTIES OF SUBSIDIARIES - AS OF DECEMBER 31, 1998

Subsidiaries	Underground Storage			Miles of Pipeline		
	State	Acreage	Wells	Gathering and Storage	Transmission	Distribution
Columbia Gas of Kentucky, Inc.	KY	-	-	-	-	2,404
Columbia Gas of Maryland, Inc.	MD	-	-	-	-	595
Columbia Gas of Ohio, Inc.	OH	-	-	-	-	18,140
Columbia Gas of Pennsylvania, Inc.	PA	3,300	8	4	-	6,895
Columbia Gas of Virginia, Inc.	VA	-	-	-	-	3,960
Columbia Gas Transmission Corporation	DE	-	-	-	3	-
	KY	-	-	2	711	-
	MD	945	-	5	229	-
	NJ	-	-	-	69	-
	NY	26,084	143	55	486	-
	NC	-	-	-	1	-
	OH	486,517	2,472	972	4,028	-
	PA	63,268	240	570	2,045	-
	VA	-	-	-	1,123	-
	WV	294,268	809	715	2,445	-
Columbia Gulf Transmission Company	AR	-	-	-	8	-
	KY	-	-	-	716	-
	LA	-	-	-	1,480	-
	MS	-	-	-	659	-
	TN	-	-	-	556	-
	TX	-	-	-	44	-
	WY	-	-	-	10	-
Columbia Energy Resources, Inc.	KY	-	-	1,882	-	-
	MI	-	-	6	-	-
	NY	-	-	34	-	-
	OH	-	-	118	-	-
	PA	-	-	37	-	-
	TN	-	-	-	-	-
	VA	-	-	394	-	-
	WV	-	-	2,539	-	-
Columbia Pipeline Company	DE	-	-	3	-	-
Columbia LNG Corporation	MD	-	-	-	48	-
	VA	-	-	-	39	-
Total		874,382	3,672	7,336	14,700	31,994

Subsidiaries	Compressor Stations	
	Number	Installed Capacity (hp)
Columbia Gas of Kentucky, Inc.	-	-
Columbia Gas of Maryland, Inc.	-	-
Columbia Gas of Ohio, Inc.	-	-
Columbia Gas of Pennsylvania, Inc.	1	800
Columbia Gas of Virginia, Inc.	-	-
Columbia Gas Transmission Corporation	-	-
	7	18,270
	1	12,000
	-	-
	4	6,040
	1	1,200
	27	102,532
	27	68,913
	11	79,480
	45	311,874
Columbia Gulf Transmission Company	-	-
	2	70,000
	5	192,500
	3	121,400
	2	85,600
	-	-
	-	-
Columbia Energy Resources, Inc.	6	210

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	-	-
	-	-
	1	10
	-	-
	2	100
	-	-
	7	211
Columbia Pipeline Company	-	-
Columbia LNG Corporation	-	-
	-	-
	---	---------
Total	152	1,071,140
	===	=========

</TABLE>

NOTE: This table excludes minor gas properties and all construction work in progress. The titles to the real properties of the subsidiaries of Columbia have not been examined for the purpose of this document. Neither Columbia nor any subsidiary know of material defects in the title to any of the real properties of the subsidiaries of Columbia or of any material adverse claim of any right, title, or interest therein, pending or contemplated. Substantially all of Columbia Transmission's property has been pledged to Columbia as security for First Mortgage Bonds issued by Columbia Transmission to Columbia.

I. Purchase and Production Matters

A. Estimation Proceedings. Claims by certain producers for damages resulting from the rejection of gas purchase contracts remain unresolved as discussed in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations section of this Report.

B. New Ulm and Fox v. Mobil Oil Corp., Columbia Gas Transmission Corp. and Columbia Gulf Transmission Co., C.A. No. 88-V-655 (155th Judicial Dist. Ct. of Austin County, TX). As reported in the Annual Report on Form 10-K for 1997, Columbia Transmission and New Ulm settled the litigation and New Ulm's claims for a proposed allowed amount of $2.25 million in December 1997, subject to Columbia Transmission's Plan of Reorganization. The Bankruptcy Court approved the settlement on January 26, 1998. This matter is now concluded.

C. New Bremen Corp. v. Columbia Gas Transmission Corp. and Columbia Gulf Transmission Co., No. 88V-631 (Dist. Ct. Austin County, TX); In re The Columbia Gas System, Inc. and Columbia Gas Transmission Corporation, No. 91-803 and No. 91-804 (U.S. Bankr. Ct. Dist. of Del.). On November 16, 1988, New Bremen filed a complaint alleging it is entitled to a higher price than the market-out price Columbia Transmission paid for past periods under the same gas purchase contract price provision involved in the New Ulm case discussed above. On January 10, 1989, Columbia Transmission removed the case to the United States District Court for the Southern District of Texas (No. H-89-0072).

By order entered December 7, 1992, the Bankruptcy Court modified the automatic stay provided under the Bankruptcy Code to allow the U.S. District Court to decide the pending motions for summary judgment regarding a contract interpretation issue raised by both parties. Other issues raised by New Bremen's claim and Columbia Transmission's response thereto were referred to the claims mediator. On August 11, 1995, an order was entered granting Columbia Transmission's motion for partial summary judgment and denying New Bremen's motion for partial summary judgment on the issue of contract interpretation. On August 29, 1995, the U.S. District Court denied New Bremen's motion to withdraw and set aside its August 11, 1995 order, but stated that it would withdraw and vacate its order if the Bankruptcy Court determined that it was in violation of the automatic stay. On November 2, 1995, the Bankruptcy Court denied New Bremen's motion for an order that the August 11, 1995 order was a violation of the automatic stay. The U.S. District Court, on March 12, 1996, acting upon a motion filed by Columbia Transmission, entered an order finding that there was no just reason to delay entry of judgment and therefore entered final judgment of its August 11, 1995 order which granted Columbia Transmission's motion for partial summary judgment.

New Bremen appealed the U.S. District Court's grant of partial summary judgment to the U.S. Court of Appeals for the Fifth Circuit. On February 10, 1997, the Fifth Circuit denied New Bremen's appeal and upheld the U. S. District Court's grant of partial summary judgment in favor of Columbia Transmission on the contract pricing issue. On February 3, 1997, the claims mediator issued a recommendation as to issues not resolved by the decisions of the U. S. District Court and the Fifth Circuit Court of Appeals. On February 25, 1997, Columbia Transmission filed a motion with the Bankruptcy Court seeking to have New Bremen's claim allowed by the Bankruptcy Court in accordance with the Fifth Circuit decision and the claims mediator's report

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and recommendations issued in the claims estimation proceedings (resolving issues not covered by the Fifth Circuit decision).

On July 24, 1998, the Bankruptcy Court entered an Order allowing the claim of New Bremen Corporation in accordance with the Claims Mediator's Report and Recommendations and the decision of the U.S. Fifth Circuit Court of Appeals. New Bremen failed to file a timely notice of appeal. On August 21, 1998, New Bremen filed a motion to extend its time for filing on the grounds of excusable neglect. On August 24, 1998, the Bankruptcy Court granted the motion and provided 10 days for New Bremen to file a notice of appeal. On August 28, 1998, New Bremen filed a notice of appeal to the U.S. District Court for the District of Delaware. The parties have executed a settlement agreement, subject to approval by the Bankruptcy Court. The completion of the briefing of the appeal has been adjourned until April 30, 1999, to allow for Bankruptcy Court approval of the settlement.

II. Environmental

A. Columbia Gas Transmission Corp. v. Aetna Casualty & Surety Co., et al., C.A. No. 94-C-454 (Kanawha (W.Va.) Cir. Ct. March 14, 1994). Columbia Transmission filed a complaint in West Virginia state court seeking coverage from various insurers under various insurance policies for environmental cleanup costs. These costs are discussed more fully in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this Report. All insurers have responded to the complaint denying such claims. The case is currently stayed under the evergreen provision of the agreed scheduling order entered by the state court on November 29, 1995, in order to allow informal discussions among the parties to the litigation. The parties have also entered into an agreed order concerning a special discovery master which was entered by the

court. Columbia Transmission continues to pursue recovery of environmental expenditures from its insurance carriers, however, at this time, management is unable to determine the total amount or final disposition of any recovery.

B. Columbia Gulf Transmission Co. v. Aetna Casualty & Surety Co., et al., C.A. No. 95-C-177 (Kanawha (W.Va.) Cir. Ct. January 19, 1995). Columbia Gulf filed a complaint in West Virginia state court seeking coverage from various insurers under various insurance policies for environmental cleanup costs. These costs are discussed more fully in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this Report. All insurers have responded to the complaint denying such claims. The case is currently stayed under the evergreen provision of the agreed scheduling order entered by the state court on December 1, 1995, in order to allow informal discussions among the parties to the litigation. The parties have also entered into an agreed order concerning a special discovery master which was entered by the court. Columbia Gulf continues to pursue recovery of environmental expenditures from its insurance carriers, however, at this time, management is unable to determine the total amount or final disposition of any recovery.

III. Other

A. Canada Southern Petroleum Ltd. v. Columbia Gas Development of Canada Ltd. (C.A. No. 9001-03466, Court of Queen's Bench, Alberta, Canada, filed March 7, 1990). The plaintiffs assert, among other things, that the defendant working interest owners, including Columbia Gas Development of Canada Ltd. (Columbia Canada) and various Amoco affiliates, breached an alleged fiduciary duty to ensure the earliest feasible marketing of gas from the Kotaneelee field (Yukon Territory, Canada). The plaintiffs seek, among other remedies, the return of the defendants' interests in the Kotaneelee field to the plaintiffs, a declaration that such interests are held in trust for the plaintiffs and an order requiring the defendants to promptly market Kotaneelee gas or assessing damages.

In November 1993, the plaintiffs amended their Amended Statement of Claim to include allegations that the balance in the Carried Interest Account (an account for operating costs which are recoverable by working interest owners) which is in excess of the balance as of November 1988 should be reduced to zero. Columbia, on behalf of Columbia Canada, consented to the amendment in consideration of the plaintiffs' acknowledgment that some $63 million was properly charged to the account. However, Columbia and Columbia Canada continue to dispute the claim to the extent that the claim challenges expenditures incurred since November 1988, including expenditures made after Columbia Canada was sold to Anderson Exploration Ltd. (Anderson) effective December 31, 1991.

A trial commenced in the third quarter of 1996 in the Court of Queen's Bench. Following multiple lengthy adjournments, plaintiffs concluded their case-in-chief in the fourth quarter of 1998. Defendants are currently presenting their witnesses and evidence. Due to the complex nature of the litigation, Columbia cannot predict the length of the trial. Management

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continues to believe that its defenses are meritorious, and that the risk of any material liability to Columbia is de minimis.

Pursuant to an Indemnification Agreement regarding the Kotaneelee Litigation entered into when Columbia Canada was sold to Anderson, Columbia agreed to indemnify and hold Anderson harmless for losses due to this litigation arising out of actions occurring prior to December 31, 1991. As a result of the 1997 upgrading of Columbia's long-term debt, an escrow account that provides security for the indemnification obligation and is now funded by a letter of credit was reduced to approximately $35,835,000 (Cdn).

B. Cathodic Protection. In September 1995, the management of Commonwealth Gas Services, Inc. (now Columbia Gas of Virginia, Inc.) (Columbia of Virginia) advised the Staff of the Virginia State Corporation Commission (VSCC) that there had been deficiencies in Columbia of Virginia's cathodically protected pipeline distribution system in its Northern Operating Area in Virginia. Following several months of informal investigation, on March 1, 1996, the Commission issued a subpoena for Columbia of Virginia to produce documents related to its cathodic protection program in the Northern Operating Area. Columbia of Virginia complied with the subpoena. On November 18, 1998, Columbia of Virginia reported to the VSCC that, with one small exception, it had completed all remedial work related to the cathodic protection deficiencies. At this time Columbia is unable to determine the likelihood or magnitude of any penalties that might be assessed.

C. MarkWest Hydrocarbon, Inc., Arbitration Proceeding, AAA Case No. 77 181 0035 98 (filed February 13, 1998); Columbia Gas Transmission Corp. v. MarkWest Hydrocarbon, Inc., U.S. D.C., S.D. W.Va., Case No. 2:98-03622 (filed April 28, 1998). In the Settlement of Columbia Transmission's last rate case in Docket No. RP95-408, approved by the FERC on April 17, 1997, Columbia Transmission, MarkWest Hydrocarbon, Inc. (MarkWest) and other parties agreed that Columbia Transmission's gathering and products extraction rates and

services would be "unbundled" in compliance with Order No. 636 and that MarkWest would acquire Columbia Transmission's interests in certain products extraction facilities and provide gas processing services to certain shippers on Columbia Transmission's system. In February 1998, negotiations surrounding the transfer of facilities and processing services to MarkWest reached an impasse, resulting in an arbitration proceeding and a court proceeding, both of which are discussed below. Columbia Transmission believes MarkWest's claims are essentially without merit, and that any financial consequence to Columbia Transmission will not be material. On September 16, 1998, the FERC issued an order pursuant to which Columbia Transmission will retain certain quantities of gas from its customers through its retainage adjustment mechanism but not deliver those quantities to MarkWest pending resolution of the court and arbitration proceedings. On December 7, 1998, MarkWest and Columbia Transmission entered into a "standstill" agreement under which the parties essentially agreed to continue the current operational status quo until the earlier of a ruling by the Panel (as defined below) or July 1, 1999.

Arbitration Proceeding. On February 13, 1998, MarkWest filed a demand for arbitration. In response to Columbia Transmission's request, the Arbitration Panel (Panel), by orders dated June 10 and June 16, 1998, directed MarkWest to file a more specific statement of the claims to be arbitrated and to explain why the claims are arbitrable. MarkWest filed an Amended Demand for Arbitration on June 19, wherein MarkWest seeks an order, inter alia, declaring that certain pre-settlement agreements between Columbia Transmission and MarkWest have not terminated and that specific performance by Columbia Transmission is required. MarkWest also alleged tortious interference with its existing and prospective contracts, fraudulent concealment, misrepresentation and civil conspiracy by Columbia Transmission, Columbia and Columbia Resources to interfere with MarkWest's business. MarkWest seeks compensatory damages for past and future losses in an amount not less than $391.6 million as well as exemplary damages. Columbia Transmission answered and filed contingent counterclaims on July 2 and contested the arbitrability of all but three issues. On July 29, 1998, the Panel issued an order whereby it found to be non-arbitrable all of MarkWest's claims except those that relate to obligations arising directly under two of the parties' agreements, some of which Columbia Transmission agreed were subject to arbitration. On October 30, 1998, the Panel issued its New Ruling on Arbitrable Issues and Vacation of Ruling of July 29, 1998. The ruling was issued in response to the U.S. District Court's order dated August 3, 1998. The panel held that certain claims regarding contract interpretation, asserted contractual obligations, and asserted breach thereof arising under six specific agreements, including the Settlement Agreement in RP95-408, are arbitrable. The Panel reaffirmed its earlier ruling that dismissed MarkWest's tortious interference, fraudulent concealment, misrepresentation and civil conspiracy claims described above as being non-arbitrable. The Panel's decision will reduce, by an amount

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Columbia Transmission cannot determine, MarkWest's alleged damages. Although a hearing has not yet been held, the Panel has ruled that, with respect to certain additional issues, it will hear evidence and argument before ruling on arbitrability.

Court Proceeding. Columbia Transmission filed a complaint against MarkWest on April 28, 1998, in Federal District Court for the Southern District of West Virginia seeking, inter alia, (i) a declaratory order that certain gas processing agreements are terminated in whole or in part, (ii) a declaratory order that MarkWest has breached the Settlement of Docket No. RP95-408, and (iii) an injunction against MarkWest interfering with Columbia Transmission's efforts to spin off its products extraction business. On August 3, 1998, the U.S. District Court issued a memorandum opinion and order granting MarkWest's motion to stay proceedings and compel arbitration.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The common stock of Columbia is traded on the New York Stock Exchange under the ticker symbol CG and is abbreviated as either ColumEngy or ColumEgy in trading reports. The number of record shareholders on December 31, 1998, was approximately 35,261 and the stock closed at $57.75 on December 31, 1998, as reflected in the New York Stock Exchange Composite Transactions as reported by The Wall Street Journal. On February 17, 1999, Columbia declared a quarterly dividend of $0.20 per share for the first quarter of 1999, which was declared payable on or about March 15, 1999, to holders of record on March 1, 1999.

See Item 7 on page 21 for additional information regarding Columbia's common stock prices and dividends.

ITEM 6. SELECTED FINANCIAL DATA

Selected Financial Data
Columbia Energy Group and Subsidiaries

<TABLE>
<CAPTION>

($ in millions, except per share amounts)	1998	1997	1996	1995*	1994*	1993*
<S>	<C>	<C>	<C>	<C>	<C>	<C>
INCOME STATEMENT DATA($)						
Total net revenues	1,897.1	1,915.5	1,872.9	1,814.6	1,762.9	1,736.1
Earnings (Loss) before extraordinary item and accounting changes	269.2	273.3	221.6	(432.3)	246.2	152.2
Earnings (Loss) on common stock	269.2	273.3	221.6	(360.7)	240.6	152.2
PER SHARE DATA**						
Earnings (Loss) per share of common stock($):						
Before extraordinary item and accounting changes	3.23	3.29	2.75	(5.71)	3.25	2.01
Earnings (Loss) per share of common stock	3.23	3.29	2.75	(4.76)	3.17	2.01
Average common shares outstanding(000)	83,382	83,100	80,681	75,708	75,838	75,838
Diluted earnings (loss) per share of common stock($):						
Before extraordinary item and accounting changes	3.21	3.27	2.74	(5.71)	3.25	2.01
Diluted earnings (loss) per share of common stock	3.21	3.27	2.74	(4.76)	3.17	2.01
Diluted average common shares(000)	83,748	83,594	80,919	75,708	75,838	75,838
Dividends:						
Per share($)	0.77	0.60	0.40	-	-	-
Payment ratio(%)	23.8	18.2	14.5	N/A	N/A	N/A
BALANCE SHEET DATA($)						
Capitalization including debt subject to Chapter 11:						
Common stock equity	2,005.3	1,790.7	1,553.6	1,114.0	1,468.0	1,227.3
Preferred stock	-	-	-	399.9	-	-
Long-term debt	2,003.1	2,003.5	2,003.8	2,004.5	4.3	4.8
Short-term debt	N/A	N/A	N/A	N/A	-	-
Current maturities of long-term debt	0.4	0.5	0.8	0.5	1.2	1.3
Debt subject to Chapter 11	-	-	-	-	2,317.1	2,317.1
Total	4,008.8	3,794.7	3,558.2	3,518.9	3,790.6	3,550.5
Total assets	6,968.7	6,612.3	6,004.6	6,057.0	7,164.9	6,957.9
OTHER FINANCIAL DATA						
Capitalization ratio(%)(including current maturities***):						
Common stock equity	50.0	47.2	43.7	31.7	38.7	34.6

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Preferred stock	-	-	-	11.4	-	-
Debt	50.0	52.8	56.3	56.9	61.3	65.4
Capital expenditures($)	478.7	560.3	314.8	421.8	447.2	361.3
Net cash from operations($)	761.7	468.2	477.0	(804.1)	572.8	850.4
Book value per share of common stock($)**	24.01	21.51	18.74	15.09	19.36	16.18
Return on average common equity before extraordinary item and accounting changes(%)	14.2	16.3	16.6	(33.5)	18.3	13.2

</TABLE>

N/A - Not applicable

Dilutive potential common shares were not included in the 1995 computation of diluted EPS as the effect would be antidilutive.

* Reference is made to Note 13(A) of Notes to Consolidated Financial Statements. Due to the bankruptcy filings, interest expense of approximately $230 million, $210 million, $204 million and $86 million was not recorded in 1994, 1993, 1992 and 1991, respectively. Interest expense of $982.9 million including write-off of unamortized discounts on debentures, was recorded in the fourth quarter of 1995.

** All per share amounts, average common shares outstanding and diluted average common shares have been restated to reflect a three-for-two common stock split, in the form of a stock dividend, effective June 15, 1998.

*** Prior to 1991, Columbia made extensive use of variable rate debt since the associated cost was normally less than our senior long-term debt. Inclusion of the short-term debt in years prior to 1991 makes those historical ratios more meaningful.

ITEM 6. SELECTED FINANCIAL DATA (continued)

SELECTED FINANCIAL DATA
Columbia Energy Group and Subsidiaries

<TABLE>
<CAPTION>

($ in millions, except per share amounts)	1992*	1991*	1990	1989	1988
<S>	<C>	<C>	<C>	<C>	<C>
INCOME STATEMENT DATA ($)					
Total net revenues	1,622.3	1,407.2	1,499.9	1,520.3	1,335.2
Earnings (Loss) before extraordinary item and accounting changes	90.9	(794.8)	104.7	145.8	119.0
Earnings (Loss) on common stock	51.2	(694.4)	104.7	145.8	111.1
PER SHARE DATA**					
Earnings (Loss) per share of common stock ($):					
Before extraordinary item and accounting changes	1.20	(10.49)	1.48	2.14	1.64
Earnings (Loss) per share of common stock	0.68	(9.16)	1.48	2.14	1.64
Average common shares outstanding (000)	75,838	75,798	70,983	68,260	67,809
Diluted earnings (loss) per share of common stock ($):					
Before extraordinary item and accounting changes	1.20	(10.49)	1.47	2.13	1.64
Diluted earnings (loss) per share of common stock	0.68	(9.16)	1.47	2.13	1.64
Diluted average common shares (000)	75,838	75,798	71,133	68,537	67,809
Dividends:					
Per share ($)	-	0.77	1.47	1.33	1.53
Payout ratio (%)	N/A	N/A	99.3	62.1	93.3
BALANCE SHEET DATA ($)					
Capitalization including debt subject to Chapter 11:					
Common stock equity	1,075.1	1,006.9	1,757.8	1,620.3	1,552.6
Preferred stock	-	-	-	-	-
Long-term debt	5.4	6.1	1,428.7	1,196.0	1,038.4
Short-term debt	-	N/A	735.5	634.2	697.1
Current maturities of long-term debt	1.4	2.9	35.2	47.2	52.7
Debt subject to Chapter 11	2,317.1	2,317.1	-	-	-
Total	3,399.0	3,333.0	3,957.2	3,497.7	3,340.8
Total assets	6,505.9	6,332.2	6,196.3	5,878.4	5,641.0
OTHER FINANCIAL DATA					
Capitalization ratio (%) (including current maturities ***):					
Common stock equity	31.6	30.2	44.4	46.3	46.5
Preferred stock	-	-	-	-	-

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Debt	68.4	69.8	55.6	53.7	53.5
Capital expenditures ($)	299.7	381.9	629.6	473.5	307.9
Net cash from operations ($)	765.4	531.6	420.1	400.5	429.4
Book value per share of common stock ($) **	14.18	13.28	23.22	23.67	22.79
Return on average common equity before extraordinary item and accounting changes (%)	8.7	(57.5)	6.2	9.2	7.2

</TABLE>

N/A - Not applicable

Dilutive potential common shares were not included in the 1995 computation of diluted EPS as the effect would be antidilutive.

* Reference is made to Note 13(A) of Notes to Consolidated Financial Statements. Due to the bankruptcy filings, interest expense of approximately $230 million, $210 million, $204 million and $86 million was not recorded in 1994, 1993, 1992 and 1991, respectively. Interest expense of $982.9 million including write-off of unamortized discounts on debentures, was recorded in the fourth quarter of 1995.

** All per share amounts, average common shares outstanding and diluted average common shares have been restated to reflect a three-for-two common stock split, in the form of a stock dividend, effective June 15, 1998.

*** Prior to 1991, Columbia made extensive use of variable rate debt since the associated cost was normally less than senior long-term debt. Inclusion of the short-term debt in years prior to 1991 makes those historical ratios more meaningful.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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The Management's Discussion and Analysis, including statements regarding market risk sensitive instruments and in the section "Impact of Year 2000 on Computer and Other Systems," contains "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be achieved. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning Columbia's plans, objectives, expected performance, expenditures and recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. From time to time, Columbia may publish or otherwise make available forward-looking statements of this nature. All such subsequent forward-looking statements, whether written or oral and whether made by or on behalf of Columbia, are also expressly qualified by these cautionary statements. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially. Realization of Columbia's objectives and expected performance is subject to a wide range of risks and can be adversely affected by, among other things, competition, weather, impact of the year 2000 on computer, operating and other systems, regulatory and legislative changes as well as changes in general economic, capital and commodity market conditions, many of which are beyond the control of Columbia. In addition, the relative contributions to profitability by each segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time. With respect to Columbia's year 2000 program, the dates on which Columbia believes it will be completed are based on management's best estimates, which were derived utilizing numerous assumptions of future events. However, there can be no guarantee that these estimates will be achieved, or that there will not be a delay in, or increased costs associated with, the implementation of the year 2000 program. Specific factors that might cause

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differences between the estimates and actual results include, but are not limited to, the availability and cost of personnel trained in these areas, the ability to timely locate and correct all relevant computer codes for both information technology (IT) and non-IT systems, the nature and amount of programming and testing required to upgrade or replace IT and non-IT systems, timely responses to, and corrections by, third-parties and suppliers, the ability to implement interfaces between, and among, IT and non-IT systems for which remediation or an upgrade is performed, the nature and amount of testing, verification and reporting required by relevant government regulatory authorities, including federal and state utility regulatory bodies, and other similar uncertainties.

With respect to any references made to ratings assigned to Columbia's debt securities, there can be no assurance that Columbia will be successful in maintaining its credit quality, or that such credit ratings will continue for any given period of time, or that they will not be revised downward or withdrawn entirely by the rating agencies. Credit ratings reflect only the views of the rating agencies, whose methodology and the significance of their ratings may be obtained from them.

CONSOLIDATED REVIEW

Net Income

Columbia Energy Group reported net income for 1998 of $269.2 million, or $3.23 per share, a decrease of $4.1 million, or 6 cents per share, from 1997.

The decrease was due largely to the impact of record warm weather in 1998 and the costs of Columbia's continued investment in its marketing segment. These decreases were largely offset by lower operation and maintenance costs for Columbia's rate-regulated subsidiaries, higher revenue from transportation services and gas management activities and increased gas production and prices from Columbia's exploration and production segment.

Several other key items also affected both years' results. In 1998, a $16.5 million benefit from the reduction in certain postretirement benefit costs, reflecting the purchase of insurance for a portion of those liabilities, and a $10 million benefit from state tax planning initiatives enhanced net income. Also improving 1998 results was a gain of

$6.5 million from the settlement of 1991-1994 tax issues. In 1997, net income was improved $12.8 million as a result of reduced state income taxes, $12.4 million from a regulatory settlement for Columbia Gas Transmission Corporation (Columbia Transmission) that included the sale of base gas storage volumes, $6 million from the sale of coal assets, $5.5 million from a gain on the deactivation of a storage field and $4.4 million for payments received from a cogeneration partnership. Reducing net income in 1997 were $20.2 million of restructuring and relocation costs and a $6.6 million reserve for the sale of certain pipeline facilities.

Columbia's 1997 net income was $273.3 million, or $3.29 per share, up $51.7 million, or 54 cents per share, over 1996. After adjusting for unusual items, this improvement was due in large part to lower operating costs for the regulated subsidiaries and increased revenues from transportation and storage services and gas management activities.

Net Revenues

Total net revenues (revenues less associated product purchased costs) of $1,897.1 million for 1998, reflected a decrease of $18.4 million from 1997, due primarily to the adverse effect of warmer weather in 1998 on gas sales for the distribution segment. The impact of warmer weather was partially offset by a $22.1 million increase in the marketing segment's gross margin due to higher gas sales and the addition of electric power sales in 1998, as well as higher revenues from transportation services and gas management activities in the transmission and distribution segments. Also improving revenues in 1998 was a $13.4 million increase resulting from the gain on the sale of storage base gas volumes and higher revenues from increased gas production and prices. Natural gas sales for Columbia's marketing segment in 1998 totaled 1,581 Billion cubic feet (Bcf), nearly twice the level for the same period last year, while its 1998 electric power sales were 14,364 Gigawatt hours.

In 1997, total net revenues were $1,915.5 million, an increase of $42.6 million over 1996. The higher net revenues were principally due to increased sales by the marketing segment and higher rates in effect for the distribution segment for the recovery of increased gas costs. Also improving revenues were the effects of regulatory settlements reached in 1997 for Columbia Transmission and Columbia Gas of Ohio, Inc. (Columbia of Ohio) and increased off-system sales, transportation and storage services.

Expenses

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Total operating expenses of $1,357.1 million for 1998 decreased $49 million compared to 1997, largely reflecting a reduction of $60.7 million in operation and maintenance expense. The reduction took place despite $64.6 million of higher operation and maintenance expenses for the marketing segment to build infrastructure, add and retain qualified staff and record a reserve stemming from the continuing review of that segment's financial records. The lower operation and maintenance expense was primarily the result of a $25.4 million reduction in the cost of certain postretirement benefits, reflecting the purchase of insurance for a portion of Columbia's liabilities. The 1997 operating expenses were higher due in part to $24.8 million of restructuring costs. The transmission and storage segment's and the distribution segment's operation and maintenance expense also decreased in 1998 as a result of cost conservation measures and efficiencies gained through recently implemented restructuring activities. Overall depreciation and depletion expense increased $13.9 million due primarily to an increase in depletion expense for the exploration and production segment resulting from a higher depletion rate, together with the effect of increased production from both the acquisition of Alamco, Inc. (Alamco), an Appalachian exploration and production company in 1997, and the success of Columbia Energy Resources Inc.'s (Columbia Resources) drilling program.

Operating expenses for 1997 of $1,406.1 million were $11.4 million higher than for 1996. Despite acquisitions made in 1997 and higher startup costs for new services, Columbia's 1997 operation and maintenance expense decreased $3.6 million from 1996. Total operating expenses for the marketing segment rose $21.8 million due in large part to expanding the marketing segment's operations through the acquisition of PennUnion Energy Services L.L.C. (PennUnion) and building the segment's infrastructure to support its growth. Operation and maintenance costs for the rate-regulated subsidiaries decreased, after adjusting for 1997 restructuring costs and a reserve of $10.1 million for the sale of certain pipeline facilities in New York and Pennsylvania, reflecting the beneficial effect of implementing restructuring initiatives.

Other Income (Deductions)

<TABLE>
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Twelve Months Ended December 31, (in millions)	1998	1997	1996
<S>	<C>	<C>	<C>
Interest income and other, net	$ 13.4	$ 40.4	$ 26.1
Interest expense and related charges	(152.4)	(157.6)	(166.8)
TOTAL OTHER INCOME (DEDUCTIONS)	$ (139.0)	$ (117.2)	$ (140.7)

</TABLE>

For 1998, Other Income (Deductions) reduced income by $139 million compared to a reduction of $117.2 million in 1997. Interest income and other, net of $13.4 million decreased $27 million when compared to 1997, due largely to two items recorded in 1997, namely, an $8.5 million gain for a payment received from the deactivation of a storage field that allowed the owner of the coal reserves to mine the property and a $9.5 million improvement for the sale of Columbia's coal assets. In addition, temporary cash investments in 1998 were lower than the prior year, which led to reduced interest income. Interest expense and related charges of $152.4 million in 1998 decreased $5.2 million from 1997, primarily reflecting a reduction to interest expense for a 1998 tax settlement, involving tax issues from 1991-1994, partially offset by additional interest expense on prepayments received from third parties for gas to be delivered in future periods.

When comparing 1997 to 1996, Other Income (Deductions) reduced income $117.2 million in 1997 and $140.7 million in 1996. The income improvement in 1997 was largely due to reduced interest expense on short-term borrowings, an $8.5 million pre-tax gain for the payment received from the deactivation of the storage field and a $9.5 million gain from the sale of Columbia's coal assets.

Income Taxes

Income tax expense for 1998 was $131.8 million, up $12.9 million from the year earlier, primarily reflecting tax benefits recorded in 1997 not available in 1998. In addition, net income benefited from reductions to income tax expense of approximately $10 million in 1998 and $12.8 million in 1997 due to the implementation of state tax planning initiatives.

Income tax expense in 1997 increased $3 million over 1996 due to higher income that was largely offset by the $12.8 million reduction for implementing state tax planning initiatives, mentioned previously.

LIQUIDITY AND CAPITAL RESOURCES

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A significant portion of Columbia's operations, most notably in the distribution segment, is subject to seasonal fluctuations in cash flow. During the heating season, which is primarily from November through March, cash receipts from sales and transportation services typically exceed cash requirements. Conversely, during the remainder of the year, cash on hand, together with external short-term and long-term financing, is used to purchase gas to place in storage for heating season deliveries, perform necessary maintenance of facilities, make capital improvements in plant and expand service into new areas.

Net cash from operations for 1998 was $761.7 million, an increase of $293.5 million over 1997. The increase primarily reflects higher prepayments received for the future delivery of natural gas by Columbia and working capital changes, including an increase in accounts payable, offset by a decrease in the overrecovery of gas costs by the distribution segment as well as the effect of warm weather in 1998. The decrease in the overrecovery position reflects higher gas prices in the current period compared to the same period in 1997. The recovery of gas costs in the distribution segment's rates is provided for under the current regulatory process.

Net cash from operations in 1997 decreased $8.8 million from 1996 to $468.2 million primarily reflecting higher cash needs for working capital purposes. The increased use of cash for working capital in 1997 was caused by higher accounts receivable, offset by the receipt of cash during the year related to income tax refunds and a switch from being underrecovered to overrecovered for the distribution segment's gas costs. Tempering these uses of cash was the full period effect of higher base rates for Columbia Transmission.

Columbia satisfies its liquidity requirements primarily through internally generated funds and from the sale of commercial paper, which is supported by the use of two unsecured bank revolving credit facilities that total $1.35 billion (Credit Facilities). In March 1998, the Credit Facilities replaced the $1 billion five-year revolving credit facility entered into by Columbia in November 1995.

Columbia's Credit Facilities consist of a $450 million 364-day revolving credit facility, with a one-year term loan option, that expires in March 2000 and a $900 million five-year revolving credit facility that expires in March 2003 and provides for the issuance of up to $300 million of letters of credit.

Interest rates on borrowings under the Credit Facilities are based upon the London Interbank Offered Rate, Certificate of Deposit rates or other short-term interest rates. In addition, the 364-day facility has a utilization fee if borrowings exceed a certain level. The interest rate margins and facility fee on the commitment amounts are based on Columbia's public debt ratings. During 1998, Moody's Investors Service, Inc. (Moody's) and Fitch Investors Service (Fitch) each upgraded their rating of Columbia's long-term debt to A3 and A, respectively. Columbia's long-term debt rating is BBB+ by Standard & Poor's Ratings Group (S&P). Under the Credit Facilities, higher debt ratings result in lower facility fees and interest rate margins on borrowings. Columbia's commercial paper ratings are F-1 by Fitch, P-2 by Moody's and A-2 by S&P.

As of December 31, 1998, Columbia had $144.8 million of commercial paper outstanding and approximately $127 million of letters of credit issued, of which $44.4 million were issued under the Credit Facilities.

During 1998, Columbia entered into fixed-to-floating interest rate swap agreements to modify the interest characteristics of $300 million of its outstanding long-term debt. As a result of these transactions, that portion of Columbia's long-term debt is now subject to fluctuations in interest rates. This allows Columbia to benefit from a lower interest rate environment. In order to maintain a balance between fixed and floating interest rates, Columbia is targeting average floating rate debt exposure of 10-20%.

Columbia has an effective shelf registration statement on file with the U. S. Securities and Exchange Commission for the issuance of up to $1 billion in aggregate of debentures, common stock or preferred stock in one or more series. In March 1996, Columbia issued 5,750,000 shares of common stock under the shelf registration and used the proceeds to reduce borrowings incurred under the prior credit facility and, together with other funds, to retire $400 million of preferred stock issued in late 1995. No further issuances of the remaining $750 million available under the shelf registration are scheduled at this time.

At its February 1999 meeting, Columbia's Board of Directors authorized the purchase of up to $100 million of Columbia's common stock through February 29, 2000, in the open market or otherwise. The source of funds for repurchases would consist of available funds or short-term borrowings. The timing and terms of purchases, and the number of shares actually purchased, will be determined by management based on market conditions and other factors. Purchased shares will

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be held in treasury to be made available for general corporate purposes, or resale at a future date, or they may be retired.

Management believes that its sources of funding are sufficient to meet short-term and long-term liquidity needs.

Presentation of Segment Information
Columbia revised its presentation of primary business segment information beginning with the reporting of second quarter results for 1998. Marketing operations are now reported in a separate segment rather than the former marketing, propane and power generation segment. Columbia LNG Corporation's results are now reported in the propane, power generation and LNG segment, rather than the transmission and storage segment. Prior periods have been restated to reflect this change.

Capital Expenditures
The table below reflects actual capital expenditures by segment for 1998 and 1997 and an estimate for 1999:

(in millions)	1999	1998	1997
Transmission and Storage	$237	$204	$245
Distribution	152	152	159
Exploration and Production	104	76	136*
Marketing	20	16	5
Propane, Power Generation and LNG	129	20	10
Corporate	8	11	5
TOTAL	$650	$479	$560

* Does not reflect approximately $23 million of gathering facilities that Columbia Transmission sold to Columbia Natural Resources, Inc.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

For 1998, capital expenditures were $479 million, a decrease of $81 million from 1997. The Alamco acquisition represented approximately $101 million of the 1997 program. The 1998 program included $95 million for new business initiatives for the transmission and storage segment. The largest portion of the transmission and storage segment's investments are made to ensure the safety and reliability of the pipelines and for market expansion activities. The distribution subsidiaries' program includes investments to extend service to new areas and develop future markets, as well as expenditures required to ensure safe, reliable and improved service. In 1998, propane acquisitions accounted for about $19 million of the program.

For 1999, Columbia's estimated capital expenditure program of $650 million is $171 million higher than the 1998 program. Included for the transmission and storage segment is approximately $126 million for new business activities, such as market expansion initiatives, and another $59 million is planned for new business and development activities for the distribution segment. The exploration and production segment's capital program provides for the drilling of approximately 230 new wells. The 1999 program also includes small increases for normal activities in the marketing segment as well as amounts for potential acquisitions in the propane, power generation and LNG segment.

All discretionary capital expenditures are subject to review under Columbia's value added approach (CVA) that determines whether the anticipated return on a business activity or project exceeds its risk adjusted capital cost.

Market Risk Exposure
Subsidiaries in Columbia's exploration and production, marketing and propane operations are exposed to market risk due primarily to fluctuations in commodity prices. In order to help minimize this risk, Columbia has adopted a policy that provides for commodity trading activities to help ensure stable cash flow, favorable prices and margins as well as to help capture any long-term increases in value. Financial instruments authorized for use by Columbia for commodity trading include futures, swaps and options. Columbia Energy Services utilizes financial instruments to help assure adequate margins on the purchase and resale of natural gas and electric power. Columbia Resources also utilizes financial instruments to fix prices for a portion of its future production volumes. These positions of Columbia Resources are hedged in the marketplace through Columbia Energy Services. Columbia Propane utilizes financial instruments to help protect the value of inventories. See Note 1(G) in Notes to Consolidated Financial Statements for a discussion of the accounting treatment for derivatives and Note 5 for Risk Management Activities.

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In the third quarter of 1998, Columbia's policy was expanded to allow open trading positions in electric power for its marketing segment operations to take advantage of market information or strategic opportunities related to electricity commodity prices and basis. Also in the third quarter, trading activity in weather derivatives was authorized. Positions in natural gas, electric power and weather derivatives are controlled within predetermined limits as provided by Columbia's senior management. Columbia's policy prohibits any Columbia subsidiary from entering into trading positions that are not effectively connected with its business. The risks associated with these trading activities are managed consistent with policies approved by Columbia's Board of Directors. Market risks are monitored by an independent risk control group operating separately from the area that creates or actively manages these risk exposures to ensure compliance with Columbia's stated risk management policies. Effective January 1, 1999, Columbia adopted mark-to-market accounting for all of its gas and power marketing operations and marks all physical and financial positions to market in accordance with the Financial Accounting Standards Board Emerging Issues Task Force's recently issued Statement 98-10.

Columbia measures the market risk in its portfolios on a daily basis and employs multiple risk control mechanisms to mitigate market risk including value-at-risk measures using a variance/covariance methodology, and volumetric limits. Value-at-risk simulates forward price curves in the energy markets to estimate the size and probability of future potential losses. Based on a 95% confidence interval and a one-day time horizon, the value-at-risk for Columbia's commodity market risk sensitive instruments was approximately $1.8 million as of December 31, 1998, whereas at year-end 1997 the value-at-risk was estimated at $175,000.

Columbia also utilizes fixed-to-floating interest rate swap agreements to modify the interest characteristics of a portion of its outstanding long-term debt. As a result of these transactions, that portion of Columbia's long-term debt is now subject to fluctuations in interest rates.

Impact of Year 2000 on Computer and Other Systems

The Year 2000 issue is a worldwide concern because many existing computer programs and certain computer hardware were initially designed without considering the impact of the change to the year 2000. If not corrected, certain computer, operating and other systems could fail or create erroneous results.

Columbia is evaluating its IT and non-IT systems to determine if they are year 2000 compliant and, if these systems are not year 2000 compliant, what corrective action is necessary. IT and non-IT systems that are currently being identified, tested and, as necessary, corrected or replaced with compliant systems include: 1) mission critical processes that relate to the safety or dependability of Columbia's natural gas delivery system and other core business operations; 2) customer billing, vendor payment, shareholder records and payroll systems; and 3) other processes relevant to Columbia's continued operations. Embedded chips and other non-IT hardware that are found to not be year 2000 compliant are being replaced or upgraded as appropriate. To ensure timely completion of all phases of the year 2000 project, Columbia is utilizing external consultants with specific year 2000 expertise on certain aspects of the project.

Columbia's year 2000 program is divided into phases that provide for the timely assessment, remediation and testing of IT and non-IT systems as appropriate. The assessment phase, which was completed as of December 31, 1998, covers the inventory of systems and the determination as to where potential problems may exist. If a system can not be determined to be either compliant or not date sensitive, it is deemed non-compliant and scheduled for inclusion in the remediation/testing phases. The remediation phase is for the correction of any year 2000 compliance issues through repair or replacement. It is estimated that this phase is approximately 61% complete for IT systems and 3% complete for non-IT systems. The testing phase, which is estimated to be approximately 65% and 7% complete for IT and non-IT systems, respectively, is designed to provide assurance that the remediation effort has been successful. Critical devices are tested regardless of whether a manufacturer/vendor has indicated that the device was year 2000 compliant. Columbia currently has in place general contingency plans in the event that a computer system, facility or process fails; however, Columbia is evaluating the need for special contingency plans in the event that a year 2000 problem should arise in spite of Columbia's efforts to ensure year 2000 compliance. Where appropriate, specific year 2000 contingency plans will be developed for those systems that are essential to Columbia's ongoing businesses. Contingency plans involve having alternate suppliers, processes or personnel on stand-by for essential processes. Columbia's planning for the year 2000 contingency phase for mission critical processes began on January 1, 1999.

For the overall year 2000 project, the assessment phase is complete. The remediation phase is anticipated to be completed by the end of the first quarter of 1999, with the testing phase anticipated to be completed by the end of the

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second quarter of 1999. Any year 2000 specific contingency plans that may be necessary are scheduled to be completed by the end of July 1999.

Another area of concern is Columbia's exposure from third parties that may not be year 2000 compliant. Columbia is in the process of contacting third parties with which it conducts business to obtain assurance that they will be year 2000 compliant, utilizing letters and, where appropriate, questionnaires. Columbia has mailed letters to many of its significant vendors and service providers and has verbally communicated with many strategic customers to determine whether or not interfaces with such entities are vulnerable to year 2000 problems and whether the products and services purchased from or by such entities are year 2000 compliant. Columbia has received responses from a large number of these third parties with many of the companies providing written assurances that they expect to address all of their significant year 2000 issues on a timely basis. A follow-up mailing to significant vendors and service providers that did not initially respond, or whose responses were deemed unsatisfactory by Columbia, is currently underway.

The total estimated cost of assessing, testing and remediating Columbia's IT and non-IT systems for year 2000 compliance, along with the cost of developing contingency plans, is approximately $15.6 million. The bulk of Columbia's year 2000 project budget will be applied to the remediation and testing phases. The estimated total cost of the year 2000 project represents management's assessment, based on information currently available, scope of the project, work already completed and estimated remaining work. The expenditures necessary to become year 2000 compliant will be satisfied through Columbia's cash flow from operations.

As part of its normal operations, Columbia continuously operates in a safety-conscious, high-reliability environment and has numerous back-up systems in place. As a result of the extensive planning that has been incorporated into Columbia's current contingency plans and the year 2000 project, management believes that the most reasonably likely worst case year 2000 scenario would involve minor failures that were not detected and corrected during the

project. These failures should not be of the type that could result in the disruption of services and will, in all likelihood, be corrected quickly. However, the failure of Columbia or a key third party supplier to correct a material year 2000 problem could result in an interruption in, or a failure of, certain normal business activities or operations including Columbia's ability to deliver energy. For such a failure to be material, numerous back-up systems or processes would also have to fail. For example, an interruption in electric service along Columbia's pipeline system could impact the operation of one or more compressor stations or other field facilities and equipment. This impact, if coupled with the failure of critical back-up systems and processes, could materially and adversely affect Columbia's operations, liquidity and financial condition. Due to the general uncertainty inherent in the year 2000 issue, due in part to the uncertainty of the year 2000 readiness of third party suppliers and customers, Columbia is unable to determine at this time whether the consequences of any likely year 2000 failures will have a material impact on Columbia's operations, liquidity or financial condition.

Common Stock Prices and Dividends*

<TABLE>
<CAPTION>

	Market Price			
Quarter Ended	High	Low	Close	Quarterly Dividends Paid
<S>	<C>	<C>	<C>	<C>
	$	$	$	$
1998				
December 31	60 3/4	54 1/4	57 3/4	.20
September 30	60 3/8	47 1/2	58 5/8	.20
June 30	57 11/12	50 1/3	55 5/8	.20
March 31	52 17/24	47 1/3	51 5/6	.17
1997				
December 31	52 5/12	46 1/3	52 3/8	.17
September 30	48 1/6	43 11/24	46 2/3	.17
June 30	44 11/12	37 1/3	43 1/2	.16
March 31	43 11/12	38 5/12	38 7/12	.10

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* Amounts have been restated to reflect a three-for-two common stock split, in the form of a stock dividend, effective June 15, 1998.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

TRANSMISSION AND STORAGE OPERATIONS

Columbia's transmission and storage segment consists of Columbia Transmission, Columbia Gulf Transmission Company (Columbia Gulf) and Columbia Pipeline Company. Together they operate a 16,658 mile pipeline network extending from offshore in the Gulf of Mexico to Lake Erie, New York and the eastern seaboard serving 15 northeastern, midatlantic, midwestern and southern states, as well as the District of Columbia. In addition, Columbia Transmission operates one of the nation's largest underground natural gas storage systems.

Proposed Millennium Pipeline Project

The proposed Millennium Pipeline Project (Millennium Project), in which Columbia Transmission is participating and will serve as developer and operator, will transport western gas supplies to northeast and midatlantic markets. The 442-mile pipeline will connect to TransCanada Pipe Lines Ltd. at a new Lake Erie export point and transport approximately 700,000 Mcf per day to eastern markets. Ten shippers have signed agreements for the available capacity. A filing with the Federal Energy Regulatory Commission (FERC), requesting approval of the Millennium Project, was made on December 22, 1997. This filing began the extensive review process, including opportunities for public review, communication and comment. The Millennium Project sponsors have announced that the proposed in-service date is expected to be November 1, 2000.

The current sponsors of the proposed Millennium Project are Columbia Transmission, Westcoast Energy, Inc., TransCanada Pipe Lines Ltd., and MCN Energy Group, Inc.

Market Expansion Project

Columbia Transmission continued construction of its Market Expansion project that expands its pipeline and storage system to meet increased customer demands. The second phase of storage service began in April 1998, and transportation service began in November 1998. Upon completion in 1999, the expansion will add approximately 500,000 Mcf per day of firm service to 23 customers.

The New York State Electric & Gas Corporation (NYSEG) filed an appeal with the U. S. Court of Appeals for the District of Columbia Circuit, primarily to challenge the FERC's approval of rolled-in pricing for the Market Expansion project service levels. All briefing is complete with oral arguments being the next step. NYSEG has not requested a stay of Columbia Transmission's FERC certificate order. Accordingly, construction is proceeding.

Proposed East Lateral Expansion and SunStar Pipeline Projects

Columbia Gulf announced plans in September 1998 to consider an expansion of its onshore East Lateral system at Grand Isle, Louisiana. The expansion of the East Lateral system would provide additional capacity to shippers from Grand Isle by adding approximately 600,000 Mcf per day of incremental firm transportation capacity. This will be accomplished by adding new facilities and expanding existing facilities. The proposed SunStar Pipeline Project, in which Columbia Gulf is participating and will serve as the developer and operator, would transport gas from the deep water areas of the Gulf of Mexico to Columbia Gulf's onshore lateral at Grand Isle. This offshore pipeline project of approximately 56 miles would have capacity of 660,000 Mcf per day and is complementary to the expansion of the East Lateral system facilities, mentioned above.

Columbia Gulf conducted open seasons in the fall of 1998 to obtain binding commitments from interested parties for the additional capacity resulting from the East Lateral expansion and the SunStar Pipeline Project. Columbia Gulf is currently in the process of evaluating the bids.

Competition and the Effect of LDC Unbundling Services

Columbia's transmission and storage subsidiaries compete with other interstate pipelines for the transportation and storage of natural gas. Since the issuance of FERC Order No. 636, various states throughout Columbia Transmission's service area have initiated proceedings dealing with open access and unbundling of local distribution companies' (LDC) services. Among other things, unbundling involves providing all LDC customers with the choice of what entity will serve as transporter as well as merchant supplier. While the scope and timing of these various unbundling initiatives varies from state to state, retail choice programs are being extended to increasing numbers of LDC customers throughout Columbia Transmission's market area.

Among the issues being addressed in the state unbundling proceedings is the treatment of the pipeline transmission and storage agreements which have underpinned the traditional LDC merchant function. In the case of Columbia

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Transmission and Columbia Gulf, contracts covering the majority of their firm transportation and storage quantities

with LDCs have primary terms that extend to October 31, 2004. Management fully expects that the LDCs, or those entities to which pipeline capacity may be assigned as a result of the LDC unbundling process, will continue to fulfill their obligations under these contracts. However, in view of the changing market and regulatory environment, Columbia's transmission companies have commenced the process of discussing long-term transportation and storage service needs with their firm customers. Those discussions could result in the restructuring of some of these contracts on mutually agreeable terms prior to 2004.

Regulatory Matters

Columbia Gulf's Rate Settlement

On April 29, 1998, the FERC approved a settlement of Columbia Gulf's general rate case that was filed in October 1996. The active parties in the proceeding unanimously agreed to the terms of the settlement. The approval of the settlement, which became final May 29, 1998, did not have a material impact on Columbia's consolidated financial results.

Columbia Gulf Mainline Capacity Proceeding

In 1993, the FERC directed Columbia Gulf to show cause as to why it had not sought FERC abandonment authorization to reduce capacity on its mainline facility. Since that time Columbia Gulf has responded to various information requests from the FERC. In an August 8, 1997 order, the FERC approved a stipulation and consent agreement between Columbia Gulf and FERC's enforcement staff requiring Columbia Gulf to conduct a 30-day open season on additional firm mainline capacity up to its certificated design. Although certain of Columbia Gulf's customers challenged the terms of the settlement, Columbia Gulf concluded the open season on December 15, 1997, which resulted in requests for capacity that exceeded the capacity specified in Columbia Gulf's FERC certificate. On December 24, 1998, the FERC issued an order rejecting all substantial challenges and reaffirmed the settlement. On January 25, 1999, a petition for clarification or rehearing and a separate petition for rehearing of the FERC's December 24, 1998 order were filed in this proceeding. On February 19, 1999, the FERC issued a tolling order giving itself additional time to act on the January 25, 1999 petitions. In late February 1999, five parties appealed the December 24, 1998 and August 8, 1997 FERC orders to the Court of Appeals for the District of Columbia.

Mainline '99

Columbia Gulf filed an application with the FERC on June 5, 1998, for authority to increase the maximum certificated capacity of its mainline facilities. The expansion project, referred to as Mainline '99, will increase Columbia Gulf's certificated capacity to nearly 2.2 Bcf/day, by replacing certain compressor units and increasing the horsepower capacity of other compressor stations. Various shippers contracted for the additional service through an open bidding process held in late 1997 and early 1998. Subject to regulatory approval, construction relating to the compressor replacements is scheduled to begin in the first quarter of 1999. The proposed in-service date for the Mainline '99 project is December 1, 1999. At its February 10, 1999, meeting the FERC adopted an order approving Columbia Gulf's June 5, 1998 filing.

Columbia Transmission's Phase II Rate Proceeding

Columbia Transmission's rate case settlement, approved by the FERC in April 1997, provided for a hearing to address environmental cost recovery that was excluded from the settlement. The procedural schedule established by the presiding Administrative Law Judge provided for a hearing to commence in the fall of 1998. However, at the request of Columbia Transmission and other active parties, the schedule was suspended in May 1998, in order to afford the parties an opportunity to pursue settlement discussions. As a result of these discussions, the active parties reached an agreement in principle on the overall components of an environmental settlement. The comprehensive agreement in principle includes such major components as Columbia Transmission's total allowed recovery of environmental remediation program costs and the disposition of any proceeds received by Columbia Transmission from insurance carriers and others. At this time, the agreement is either supported or not opposed by all but two parties. Columbia Transmission anticipates filing a stipulation and agreement with the FERC in the first quarter of 1999.

Challenge to Columbia Transmission's Rate Design

Pursuant to a provision of Columbia Transmission's 1997 rate settlement, the Public Service Commission of the State of New York (PSCNY) had the right to initiate a hearing challenging the appropriateness of the Straight Fixed Variable (SFV) rate design methodology authorized by the FERC for Columbia Transmission. In a decision rendered in April 1998, the presiding Administrative Law Judge granted a motion, filed jointly by several interested parties, to dismiss a challenge made by PSCNY. The Judge found that the PSCNY failed to demonstrate that continued use of the SFV rate design on Columbia Transmission's

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system would be unjust or unreasonable. In May 1998, the PSCNY filed an appeal of the Administrative Law Judge's decision and on October 6, 1998, the FERC affirmed the Judge's decision.

The PSCNY filed a limited request for rehearing of the FERC's decision on November 5, 1998. In December 1998, the FERC issued an order denying PSCNY's request for rehearing.

Discussions with FERC

The transmission and storage subsidiaries are in confidential and informal discussions with the staff of the FERC concerning the scope of authorization for certain past transactions under the relevant filed tariffs. The transmission and storage subsidiaries have initiated these discussions with the FERC. Because these discussions are in a very preliminary stage, management is unable to reasonably estimate the amount that will have to be paid pursuant to reimbursement or other remedies.

Sale of Gathering Facilities

During 1997, Columbia Transmission sold approximately 4,500 miles of its gathering lines of which 2,700 miles were sold to Columbia Resources. Approximately 750 miles of gathering facilities were sold to Columbia Resources effective January 1999. There are approximately 800 miles of gathering lines remaining to be sold.

In addition, Columbia Transmission has agreed to sell certain natural gas pipeline facilities that consist of approximately 341 miles of pipeline, together with property and associated facilities, located in New York and Pennsylvania. The sale of these facilities was approved by the FERC in an order issued on November 4, 1998. Certain parties requested rehearing of the FERC's decision. At its regularly scheduled meeting on February 10, 1999, the FERC approved a draft order denying rehearing. The FERC's action on rehearing will allow the sale to go forward as planned. The facilities are not directly connected to Columbia Transmission's mainline system and are no longer needed by Columbia Transmission in connection with providing services to its customers. The sale of these assets would not have a material impact on Columbia's consolidated financial results.

Additional Storage Base Gas Sales

As provided in Columbia Transmission's recent rate settlement, Columbia Transmission is allowed to retain approximately 95% of the first $60 million pre-tax gain from any base gas sales and to share equally with customers any gain after that level. Columbia Transmission has agreements to sell approximately 6.9 Bcf of base gas volumes in the first quarter of 1999 pursuant to the settlement agreement.

Capital Expenditure Program

The transmission and storage segment's net capital expenditure program was $204 million in 1998 and is projected to be $237 million in 1999. New business initiatives totaled approximately $95 million in 1998 and are expected to be $126 million in 1999. The remaining expenditures are for modernizing and upgrading facilities.

Environmental Matters

Columbia's transmission subsidiaries have implemented programs to continually review compliance with existing environmental standards. In addition, transmission subsidiaries continue to review past operational activities and to formulate remediation programs where necessary.

Columbia Transmission is currently conducting assessment, characterization and remediation activities at specific sites under a 1995 Environmental Protection Agency (EPA) Administrative Order by Consent (AOC). The program pursuant to the AOC covers approximately 240 facilities, approximately 15,000 liquid removal points, approximately 2,800 mercury measurement stations and about 3,700 storage well locations. As of December 31, 1998, field characterization has been performed at many of these sites, and site characterization reports and remediation plans are being prepared for submission to EPA for approval. Significant remediation has taken place only at mercury measurement stations. Only those site investigation, characterization and remediation costs currently known and determinable can be considered "probable and reasonably estimable" under Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies" (SFAS No. 5). As costs become probable and reasonably estimable, the associated reserves will be adjusted as appropriate. Columbia Transmission is unable, at this time, to accurately estimate the time frame and potential costs of the entire program. Management expects that as additional work is performed and more facts become available, it will be able to develop a probable and reasonable estimate for the entire program or a major portion thereof consistent with U.S. Securities and Exchange Commission's Staff Accounting Bulletin No. 92, SFAS No. 5, and American Institute of Certified Public Accountants Statement of Position 96-1.

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As a result of 1998 activities, Columbia Transmission recorded an additional liability of $28.8 million. Actual expenditures of approximately $16 million during 1998 charged to the liability resulted in a remaining liability of $138.2 million. Columbia Transmission's environmental cash expenditures are expected to be approximately $18

million in 1999 and up to $20 million annually until the AOC is satisfied. These expenditures will be charged against the previously recorded liability. Consistent with Statement of Financial Accounting Standards No. 71, a regulatory asset has been recorded to the extent environmental expenditures are expected to be recovered through rates. Management does not believe that Columbia Transmission's environmental expenditures will have a material adverse effect on its operations, liquidity or financial position, based on known facts and existing laws and regulations and the long time period over which expenditures will be made.

In addition, predecessor companies of Columbia Transmission may have been involved in the operation of manufactured gas plants. When such plants were abandoned, material used and created in the process was sometimes buried at the site. As of the date of this report, Columbia Transmission is unable to determine if it will become liable for any characterization or remediation costs at such sites.

Throughput

Columbia Transmission's throughput consists of transportation and storage services for local distribution companies and other customers within its market area. Throughput for Columbia Gulf reflects mainline transportation services from Rayne, Louisiana, to Leach, Kentucky and short-haul transportation services from the Gulf of Mexico to Rayne, Louisiana.

Throughput for the transmission and storage segment totaled 1,197.5 Bcf for 1998, a decrease of 104 Bcf from 1997 that was in turn down 76.6 Bcf from 1996. The lower throughput in 1998 and 1997 was primarily due to warmer weather in Columbia Transmission's operating territory that reduced demand for natural gas.

Columbia Transmission's market area transportation declined 84.8 Bcf to 947.8 Bcf during 1998, largely due to 18% warmer weather in its market area. Transportation volumes for 1997 of 1,032.6 Bcf decreased 69.8 Bcf from 1996 primarily due to warmer weather in early 1997 and reduced requirements from electric cogeneration facilities during the summer.

Mainline transportation for Columbia Gulf decreased 44.2 Bcf to 563.3 Bcf in 1998, reflecting the impact of warmer weather in Columbia Transmission's operating territory. During 1997, mainline transportation was 26.2 Bcf lower than 1996 due to warmer weather. In addition, mainline transportation volumes were higher in 1996 due to Columbia Gulf's system being heavily used by customers during the summer of that year to refill depleted gas storage inventories.

Columbia Gulf's 1998 short-haul transportation of 231.2 Bcf decreased 21.2 Bcf from the year earlier, largely due to the unusually warm weather. Short-haul transportation of 252.4 Bcf in 1997 was down 14.1 Bcf from 1996 primarily due to a decline in market demand in the area south of Rayne, Louisiana.

Variations in throughput have little effect on operating income because, as a result of FERC Order No. 636, a significant portion of the transmission and storage segment's fixed costs is being recovered through a monthly demand charge.

Operating Revenues

Operating revenues of $838.7 million in 1998 were essentially unchanged from the prior year. After adjusting for the recovery of upstream transportation costs and certain other revenues that are fully offset in operating expense, operating revenues in 1998 decreased $2.6 million. The effect of the sale of gathering facilities and a lower cost-of-service level underlying Columbia Transmission's rates in 1998 was only partially offset by increased revenues from transportation and storage services due in part to Columbia Transmission's Market Expansion project. The sale of storage base gas volumes that were part of Columbia Transmission's overall 1997 rate case settlement improved revenues in both 1998 and 1997.

Operating revenues increased $33.6 million to $838.6 million in 1997. After adjusting for recovery items mentioned above, operating revenues increased $22.6 million over 1996. This increase was primarily due to recording $19.1 million of revenues in the second quarter of 1997 for the sale of base gas volumes that were part of Columbia Transmission's 1997 rate case settlement. Increased transportation and storage services also contributed to the improvement.

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Operating Income
Operating income for 1998 for the transmission and storage segment of $326.1 million, increased $67.8 million over 1997 due to a decline in operating expense. Operation and maintenance expenses for 1998 declined $64.3 million

compared with 1997, primarily reflecting restructuring costs recorded in 1997 and the beneficial effect of those restructuring initiatives in 1998. Also making 1997 operation and maintenance expense higher when compared to 1998 was a $10.1 million reserve recorded in 1997 for the anticipated sale of certain pipeline facilities.

Operating income for 1997 of $258.3 million, increased $52.1 million over the previous year. This improvement reflected higher operating revenues, mentioned above, and $18.5 million lower operating expenses due in part to lower restructuring costs and savings achieved through the implementation of restructuring initiatives.

STATEMENTS OF OPERATING INCOME FROM TRANSMISSION AND STORAGE OPERATIONS
(UNAUDITED)

Year Ended December 31, (in millions)	1998	1997	1996
OPERATING REVENUES			
Transportation revenues	$ 620.4	$ 622.0	$ 629.0
Storage revenues	186.0	179.8	159.5
Other revenues	32.3	36.8	16.5
Total Operating Revenues	838.7	838.6	805.0
OPERATING EXPENSES			
Operation and maintenance	358.9	423.2	440.1
Depreciation	101.8	104.3	102.6
Other taxes	51.9	52.8	56.1
Total Operating Expenses	512.6	580.3	598.8
OPERATING INCOME	$ 326.1	$ 258.3	$ 206.2

TRANSMISSION AND STORAGE OPERATING HIGHLIGHTS

	1998	1997	1996	1995	1994
CAPITAL EXPENDITURES ($ in millions)	204.0	244.9	142.7	169.1	179.1
THROUGHPUT (Bcf)					
Transportation					
Columbia Transmission					
Market area	947.8	1,032.6	1,102.4	1,106.1	1,038.6
Columbia Gulf					
Mainline	563.3	607.5	633.7	605.0	590.3
Short-haul	231.2	252.4	266.5	221.4	225.4
Intrasegment eliminations	(544.8)	(591.0)	(624.5)	(596.3)	(583.2)
Total Transportation	1,197.5	1,301.5	1,378.1	1,336.2	1,271.1
Sales	-	-	-	-	0.9
TOTAL THROUGHPUT	1,197.5	1,301.5	1,378.1	1,336.2	1,272.0

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DISTRIBUTION OPERATIONS

Columbia's five distribution subsidiaries (Distribution) provide natural gas service to approximately 2 million residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky and Maryland.

Market Conditions

Weather in the market area served by Distribution during 1998 was the warmest on record. It was 17% warmer than normal and 19% warmer than 1997. As a result, there was nearly a 50 Bcf decrease in weather-sensitive deliveries compared to 1997. The settlement of a 10-month labor strike at a major customer late in 1997 partially offset the decline in deliveries brought about by the record warm weather in 1998.

Competition

Distribution competes with investor-owned, municipal, and cooperative electric utilities throughout its five-state service area, and to a lesser extent with propane and fuel oil suppliers. Electric competition is generally strongest in the residential and commercial markets of Kentucky, southern Ohio and southwestern Pennsylvania where rates are driven by low-cost coal-fired generation. The northern Ohio and Pittsburgh areas have less competitive electric rates, due to the use of higher-cost nuclear-generated power. Distribution continues to be a strong competitor in the energy market for new homes as a result of a strong customer preference for natural gas. With the addition of residential and small commercial customer choice programs, natural gas is now more price-competitive with alternate fuels.

Approximately 40% of Distribution's industrial and commercial throughput, or 140 Bcf, is susceptible to bypass, because these customers are located close to multiple natural gas pipelines and local gas distribution companies. As a result of Distribution's competitive strategies, substantial inroads by other natural gas competitors have been avoided to date. As a result, the estimated throughput exposure to bypass has been reduced to approximately 48 Bcf, representing about $12 million in annual net revenue.

Regulatory Matters

Columbia Gas of Virginia, Inc. (Columbia of Virginia) filed a rate case with the Virginia State Corporation Commission (VSCC) in May 1998, requesting a $13.8 million increase in annual revenue. Of the requested increase, $8.5 million has been collected through interim rates in effect since October 1997, subject to refund, as a result of Columbia of Virginia's 1997 rate case filing. In February 1999, the VSCC in the 1997 rate case issued an order authorizing an increase in annual revenue of $4.6 million. Rates reflecting the requested additional increase in annual revenue of $5.3 million in the 1998 rate case filing went into effect, also subject to refund, in October 1998. The higher revenue is needed to recover costs related to plant additions including those required to replace aging facilities and to recover normal increases in operating expenses. Resolution of these proceedings will not have a material impact on Columbia's consolidated financial results.

In February 1998, the Maryland Public Service Commission (MPSC) approved the agreement reached by Columbia Gas of Maryland, Inc. (Columbia of Maryland) with the MPSC staff and the Maryland People's Counsel. The People's Counsel had sought an annual revenue reduction of $1.6 million, and Columbia of Maryland had requested an annual revenue increase of $1.2 million. The agreement provided for an annual revenue increase of $200,000. The new rates went into effect in March 1998.

In July 1998, Columbia Gas of Kentucky, Inc. (Columbia of Kentucky) received approval from the Kentucky Public Service Commission (KPSC) to extend its pilot gas cost incentive program for another year until July 31, 1999. The off-system sales program has been in effect on a pilot basis since August 1, 1996. Columbia of Kentucky must file a petition with the KPSC by July 1, 1999, to continue the program beyond August 1, 1999.

Distribution continues to pursue initiatives that give retail customers the opportunity to purchase natural gas directly from marketers and to use Distribution's facilities for transportation services. These opportunities are being pursued through regulatory initiatives in all of its jurisdictions, which resulted in transportation programs being initiated in four of its five service areas. Once fully implemented, these programs would reduce Distribution's merchant function and provide all customer classes with the opportunity to obtain gas supplies from alternative merchants. As these programs expand to all customers, regulations will have to be implemented to provide for the recovery of capacity costs and other costs incurred by a utility serving as the supplier

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of last resort if the marketing company cannot supply the gas. The state commissions in Distribution's five jurisdictions are at various stages in addressing these issues and other transition considerations. Distribution is currently recovering the costs resulting from the

unbundling of its services and believes that most of such future costs and costs resulting from being the supplier of last resort will be recovered. In addition to the supplier of last resort issue, Columbia of Ohio will be at risk for up to 11% of the transition capacity costs.

In June 1998, Columbia of Ohio received approval from the Public Utilities Commission of Ohio (PUCO) to extend its Customer CHOICE(SM) program to all of its nearly 1.3 million customers. The PUCO approval to expand and continue the program was based on Columbia's successful program in three northwestern Ohio counties. There are now over 357,000 customers participating, including approximately 320,000 residential customers. Of 44 marketers approved for participation, 26 are currently active.

Columbia Gas of Pennsylvania, Inc. (Columbia of Pennsylvania) received permission from the Pennsylvania Public Utility Commission (PPUC) in July 1998 to expand its Customer CHOICE(SM) program into five additional counties. Customers began shopping for a new supplier in August 1998 for gas deliveries that started in November 1998. Programs have been in operation in Allegheny and Washington counties and the approved expansion means that over two-thirds of Columbia of Pennsylvania's 386,000 customer base would be eligible to participate in the Customer CHOICE(SM) program. There are now over 58,000 customers and nine marketers participating in the program. Meanwhile, Columbia of Pennsylvania continues to push for a legislative proposal that would set the terms for natural gas retail competition statewide.

Columbia of Virginia's two-year pilot transportation program for residential and small commercial customers began December 1, 1997 and is open to approximately 27,000 customers in the Gainesville market area of Northern Virginia. There are now over 6,300 customers and six marketers participating in the program. Columbia of Virginia is supporting legislation that would permit it to offer all of its 178,000 customers the opportunity to choose their natural gas supplier.

In August 1998, the MPSC approved a two-year continuation of Columbia of Maryland's Customer CHOICE(SM) program for all of its customers. Introduced in 1996, the program allows more than 30,000 of Columbia of Maryland's customers to consider a natural gas supplier other than Columbia of Maryland. There are approximately 3,000 customers and four marketers participating in the program.

Columbia of Kentucky plans to make a filing with the KPSC in the spring of 1999 seeking approval to initiate a residential and small commercial transportation program. Under the terms of the proposed filing, all of Columbia of Kentucky's 140,000 customers would be eligible to choose a new supplier for gas to be delivered commencing in November 1999.

Voluntary Severance Plans

In January 1999, Columbia of Pennsylvania announced a Voluntary Severance Program (VSP) available to all of its nearly 700 employees in the operations department. The program is an effort to bring staffing levels into balance with anticipated work assignments. Stagnant market growth, new technologies, a more modern pipeline system and a more efficient management system for assigning work is permitting Columbia of Pennsylvania to meet its operations obligations with fewer employees. When combining the VSP with other workforce reduction measures, Columbia of Pennsylvania may be able to reduce staffing by approximately 50 employees. These initiatives are anticipated to result in a charge to operating expense in the first half of 1999.

Capital Expenditure Program

Distribution's 1998 capital expenditures were approximately $151.9 million, a decrease of $7.6 million from 1997. In addition to maintaining and upgrading facilities to assure safe, reliable and efficient operation, 1998 expenditures included $60.9 million for extending service to new areas and $72.1 million for replacement and betterment projects. The estimated 1999 capital expenditure program amounts to approximately $152 million, including $59 million for new business and development, $67 million for replacement and betterment projects with the remainder primarily for support services.

Gas Supply

Distribution's gas supply portfolio, with its large storage component, has the reliability and flexibility to accommodate the impact of weather variations on traditional customer demand, as well as to provide opportunities to increase revenues through off-system sales and other incentive programs. Off-system sales are sales or other transactions conducted outside of Distribution's traditional market. For 1998, Distribution had off-system sales of 62.9 Bcf. This was an increase of 17.5 Bcf from 1997 due in part to the mild weather throughout the

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year that allowed Distribution to market its storage volumes. Columbia of Ohio, Columbia of Pennsylvania, Columbia of

Maryland and Columbia of Kentucky have incentive programs in place that have been approved by their respective regulatory commissions that provide for the sharing of the proceeds from off-system sales with customers. For 1998, these programs resulted in pre-tax income for Distribution of $24 million, a decrease of $2.1 million from 1997. Columbia of Ohio's 1996 rate settlement permitted the retention of up to $51 million from off-system sales over three years subject to an earnings limitation.

Proceeds from releasing unused pipeline capacity totaled $31.3 million for 1998, up $11.8 million from 1997. Distribution can retain a portion of the proceeds that exceeds established capacity release incentive benchmarks. All other proceeds are recorded as a reduction to gas costs and the benefit is passed through to customers. In 1998, Columbia of Ohio and Columbia of Maryland were able to retain capacity release proceeds totaling $1.1 million. As residential and small commercial transportation programs develop into widespread practice and marketers take assignment of the LDC's pipeline capacity contracts, earnings from these non-traditional services may decline.

Environmental Matters
Distribution's primary environmental issues relate to 15 former manufactured gas plant sites. Investigations or remedial activities are currently underway at seven sites and have been completed at one site. Additional site investigations may be required at some of the remaining sites. To the extent Distribution's site investigations have been conducted, remediation plans developed and any responsibility for remediation action established, the appropriate liabilities have been recorded. Regulatory assets have also been recorded for a majority of these costs as rate recovery has been authorized or is anticipated.

Throughput
Distribution's 1998 total volumes sold and transported of 558.2 Bcf decreased 13.9 Bcf from 1997 due to the record warm weather in 1998. Increased off-system sales, the return to full production of the major customer idled by a 10-month strike in 1997, increased industrial transportation volumes and customer growth partially offset the adverse impact on sales of unusually warm weather in 1998.

In 1997, Distribution's total volumes sold and transported of 572.1 Bcf increased 7.1 Bcf from 1996, as increased transportation and off-system sales offset the adverse impact of warmer weather, a reduction in customer usage and the impact of the strike at the major customer. Transportation volumes were up by 10.1 Bcf in 1997 compared to 1996, reflecting higher demand for power generation and competitive natural gas prices.

Net Revenue
In 1998, net revenue was $847 million, down $51.1 million from 1997. This decrease primarily reflects the record warm weather, which reduced net revenue approximately $76 million from 1997. The decrease was only partially offset by the beneficial impact of Columbia of Ohio's 1997 regulatory settlement.

Net revenue for 1997 of $898.1 million was down $8.6 million from 1996, due to the warmer weather that reduced net revenue by $20 million. This decrease attributable to the warmer weather was partially offset by an increase in revenue from Columbia of Ohio's 1997 rate settlement, together with income for certain gas management activities that Columbia of Ohio retained under the terms of its 1996 rate settlement.

Operating Income
Operating income for 1998 of $225.8 million increased by $1.6 million from 1997, as the decline in net revenue was more than offset by a $52.7 million decrease in operating expenses. Operation and maintenance expense for 1998 decreased $54.3 million to $386.7 million, primarily reflecting a reduction in postretirement benefit costs and the ongoing beneficial impact of the restructuring initiatives implemented in 1997. Other taxes decreased $2.4 million from 1997, primarily due to lower payroll taxes and depreciation expense increased by $4 million due in part to plant additions.

In 1997, operating income decreased by $1.8 million from 1996 to $224.2 million as the decrease in net revenue was only partly offset by a $6.8 million decline in operating expenses. The decrease in operating expenses was primarily due to a reduced level of restructuring costs recorded in 1997 and the implementation during 1996 and 1997 of cost conservation measures and operating efficiencies.

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STATEMENTS OF OPERATING INCOME FROM DISTRIBUTION OPERATIONS (UNAUDITED)

Year Ended December 31, (in millions)	1998	1997	1996
NET REVENUES			
Sales revenues	$ 1,686.3	$ 2,153.1	$ 2,007.9
Less: Cost of gas sold	1,005.4	1,385.6	1,206.4
Net Sales Revenues	680.9	767.5	801.5
Transportation revenues	183.2	143.2	119.8
Less: Associated gas costs	17.1	12.6	14.6
Net Transportation Revenues	166.1	130.6	105.2
Net Revenues	847.0	898.1	906.7
OPERATING EXPENSES			
Operation and maintenance	386.7	441.0	463.0
Depreciation	82.2	78.2	74.4
Other taxes	152.3	154.7	143.3
Total Operating Expenses	621.2	673.9	680.7
OPERATING INCOME	$ 225.8	$ 224.2	$ 226.0

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

DISTRIBUTION OPERATING HIGHLIGHTS

	1998	1997	1996	1995	1994
CAPITAL EXPENDITURES ($ in millions)	151.9	159.5	148.4	151.8	151.4
THROUGHPUT (Bcf)					
Sales					
Residential	149.1	190.9	209.4	196.6	189.7
Commercial	54.1	72.7	85.7	79.5	80.8
Industrial and Other	4.4	4.2	10.3	7.1	9.7
Total Sales	207.6	267.8	305.4	283.2	280.2
Transportation	287.7	258.9	248.8	255.9	232.5
Total Throughput	495.3	526.7	554.2	539.1	512.7
Off-System Sales	62.9	45.4	10.8	7.5	0.3
Total Sold and Transported	558.2	572.1	565.0	546.6	513.0
SOURCES OF GAS FOR THROUGHPUT (Bcf)					
Sources of Gas Sold					
Spot market*	223.5	295.0	298.7	210.4	235.3
Producers	17.7	35.7	47.9	70.9	67.5
Storage withdrawals (injections)	12.4	4.0	(20.8)	23.6	(14.0)
Company use and other	16.9	(21.5)	(9.6)	(14.2)	(8.3)
Total Sources of Gas Sold	270.5	313.2	316.2	290.7	280.5
Gas received for delivery to customers	287.7	258.9	248.8	255.9	232.5

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Total Sources	558.2	572.1	565.0	546.6	513.0
CUSTOMERS					
Sales					
Residential	1,612,124	1,769,647	1,815,269	1,794,800	1,764,968
Commercial	148,529	168,413	173,689	172,114	167,067
Industrial and Other	2,295	2,340	2,285	2,265	2,312
Total Sales Customers	1,762,948	1,940,400	1,991,243	1,969,179	1,934,347
Transportation	298,107	93,923	12,804	6,789	6,520
Total Customers	2,061,055	2,034,323	2,004,047	1,975,968	1,940,867
DEGREE DAYS	4,635	5,736	5,975	5,692	5,530

</TABLE>

* Reflects volumes under purchase contracts of less than one year.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

EXPLORATION AND PRODUCTION OPERATIONS

Columbia's exploration and production subsidiary, Columbia Resources, is one of the largest independent natural gas and oil producers in the Appalachian Basin and also has production operations in Canada. Columbia Resources produces over 40 Bcf equivalents (Bcfe) of natural gas and oil annually, owns and operates 7,300 wells, and has net proven reserve holdings of 801.5 Bcfe. Columbia Resources also owns and operates approximately 4,500 miles of gathering pipelines.

Columbia Resources seeks to achieve asset and profitable growth through acquisitions, expanded drilling activities and divestiture of under-performing assets. During 1998, Columbia Resources entered into agreements in Ontario Province, Canada that provide Columbia Resources an expanded undeveloped acreage base. Columbia Resources' reserve base and production levels have also been expanded through the successful drilling and completion of 157 gross wells during 1998. Based on the total of 197 gross wells drilled and completed, the 1998 success rate was 80%. In January 1999, Columbia Resources also completed its acquisition of gathering pipeline facilities from Columbia Transmission with the purchase of an additional 750 miles of pipeline in northern West Virginia.

Capital Expenditure Program

Columbia Resources' 1998 capital expenditures of $75.7 million primarily reflect investment in drilling and acquisitions. The 1999 capital expenditure program is estimated at $104 million and provides for the drilling of 230 additional wells. During 1999, Columbia Resources expects to continue efforts to expand and enlarge the definition of its core Appalachian basin properties, as well as its eastern Canadian properties, through development drilling, exploration projects and pipeline projects. Columbia Resources may participate, through joint venture agreements, in investment opportunities in other basins in the eastern United States.

Natural Gas Prices

In early 1998, the industry began to experience a deterioration of prices as a result of last winter being one of the warmest winters in recent history. Surplus storage levels throughout the year, due in part to the record-breaking warm temperatures, contributed to the continuation of low gas and oil prices. Management believes that Columbia Resources is well positioned to take advantage of opportunities in this low-price environment with per unit operating costs among the lowest compared to its competitors.

In an effort to help manage the continued uncertainty of gas prices and to stabilize earnings, Columbia Resources hedged a portion of its 1998 and 1999 gas production that was subject to price volatility through a gas marketing affiliate. The gas marketing affiliate in turn, as part of its normal course of business, hedged these positions in the marketplace. In that manner, Columbia Resources secured an average gas price of $2.91 per Mcf on 77% of 1998 at-risk production resulting in a 1998 revenue increase of $11 million. Columbia Resources has entered into agreements securing an average 1999 price of $2.79 on 28% of 1999 at-risk production. This position for 1999 includes the hedging of certain risks associated with both the commodity and the Appalachia basis, which generally represents transportation costs to bring gas from the Southwest to the Appalachia area.

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Production
Gas production of 39.1 Bcf in 1998 increased 4.4 Bcf over 1997, primarily due to the acquisition of Alamco in mid-1997 and new production brought online in 1998. From 1996 to 1997, gas production increased by 3% reflecting the Alamco acquisition together with well shut-ins in 1996 that limited production in that year.

Oil and liquids production in 1998 increased by 2% from 1997 to 214,000 barrels. The increase primarily reflects new well completions coming online. In 1997, production was down 25% from 1996 largely due to the sale of a production field in December 1996.

Operating Revenues
Operating revenues for 1998 were $127.5 million, an increase of $14.2 million over 1997, primarily reflecting higher revenues generated from hedging activities and the gas production increase, both of which were discussed above. Columbia Resources' average gas sales price for 1998 was $2.91 per Mcf, an increase of 11% from 1997. The strong natural gas prices reflect the benefit of hedging a portion of 1998 production in late 1997 when prices were significantly higher. Operating revenues in 1997 were $113.3 million, an increase of $8.8 million from 1996, primarily due to a reclassification in the recording of gathering activities.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

Operating Income

In 1998, operating income improved by $6.3 million to $37.2 million, primarily due to higher operating revenues, which were partially offset by an increase of $8.9 million in depreciation and depletion expense due to additional investments in acquisitions and drilling. Operating income of $30.9 million in 1997 improved by $900,000 from 1996, as the improvement in operating revenues was mostly offset by higher operation and maintenance expense due primarily to additional costs associated with the Alamco acquisition.

STATEMENTS OF OPERATING INCOME FROM EXPLORATION AND PRODUCTION OPERATIONS (UNAUDITED)

<TABLE>
<CAPTION>

Year Ended December 31, (in millions)	1998	1997	1996
<S>	<C>	<C>	<C>
OPERATING REVENUES			
Gas revenues	$ 113.9	$ 109.5	$ 99.1
Other revenues	13.6	3.8	5.4
Total Operating Revenues	127.5	113.3	104.5
OPERATING EXPENSES			
Operation and maintenance	44.6	45.7	37.0
Depreciation and depletion	36.5	27.6	28.8
Other taxes	9.2	9.1	8.7
Total Operating Expenses	90.3	82.4	74.5
OPERATING INCOME	$ 37.2	$ 30.9	$ 30.0

</TABLE>

EXPLORATION AND PRODUCTION OPERATING HIGHLIGHTS

<TABLE>
<CAPTION>

	1998	1997	1996	1995*	1994*
<S>	<C>	<C>	<C>	<C>	<C>
CAPITAL EXPENDITURES ($ in millions)	75.7	158.7	12.1	86.8	101.6
PROVED RESERVES					
Gas (Bcf)	790.5	800.5	644.5	599.5	683.8
Oil and Liquids (000 Bbls)	1,835	1,700	774	1,651	12,255
PRODUCTION					
Gas (Bcf)	39.1	34.7	33.6	65.4	66.7
Oil and Liquids (000 Bbls)	214	210	281	2,849	3,611
AVERAGE PRICES					
Gas ($ per Mcf)**	2.91	2.63	2.84	1.96	2.18
Oil and Liquids ($ per barrel)	12.76	17.99	19.07	16.17	15.09

</TABLE>

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* Include operating results from Columbia Gas Development Corporation, which was sold effective December 31, 1995.
** Includes the effect of hedging activities as discussed in Note 1(G) of Notes to Consolidated Financial Statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

MARKETING OPERATIONS

Columbia's wholesale and retail nonregulated natural gas and electric power marketing operations are conducted by Columbia's wholly-owned subsidiary, Columbia Energy Services Corporation (Columbia Energy Services). These operations provide integrated energy-related products and services to wholesale, industrial and commercial, and residential customers. Columbia Energy Services can be categorized into three business lines: wholesale energy operations and services, retail products and services, and online energy services through its subsidiary, Energy.com Corporation (Energy.com). The wholesale business line provides products and services to wholesale customers nationwide, including gas and electricity supply, fuel management and transportation-related services, management and optimization of energy-related assets, energy commodity sales and services, risk management products and financial services. The retail business line provides energy-related products and services to a diverse customer base (industrial, commercial and residential). These products and services include gas and electricity supply, energy management, software and other services. Energy.com focuses on providing an internet commerce channel for energy companies to sell to all retail customers.

The marketing operations expanded dramatically during 1998; however, this rapid growth strained Columbia Energy Services' infrastructure and highlighted areas that need improvement. Columbia Energy Services has been addressing the administrative requirements related to the significantly increased trading volumes and continues to implement new accounting systems and procedures that are necessary to support this growth. As part of this process, certain financial records have been identified that do not appear to have adequate third party documentation or represent reconciliation differences between new subsidiary ledger systems and other financial records. As a result of this analysis, a $16.3 million pre-tax reserve was recorded in the fourth quarter of 1998. Management believes that this reserve is adequate based on information currently available.

In addition, during the fourth quarter of 1998, certain unusual trading activity, which when combined with all other gas positions, caused a $6.5 million net decrease to gross margin. Management has taken corrective action designed to prevent similar incidents from recurring. The continuing effectiveness of such action will be monitored.

Wholesale Energy Activity

Wholesale activity primarily consists of gas trading and marketing, and electric power trading and marketing, both of which have grown significantly in 1998. This growth reflects an increased presence in southeast and midwest markets, as well as an expanded portfolio of storage and transportation assets. Sales growth has occurred through increased trading, aggressive management of LDC supply, transportation and storage services, and through Columbia Energy Services' participation in retail markets. These activities have expanded Columbia Energy Services' overall wholesale trading capabilities.

During 1998, Columbia Energy Services invested significantly in its wholesale risk management infrastructure, and related financial products and services. Consequently, a number of transactions have been added to its overall trading and marketing portfolio. For example, during 1998, Columbia Energy Services entered into ten-year natural gas supply contracts with two separate municipal gas authorities that together total 82 Bcf of natural gas. As part of the agreements, the municipal gas authorities made advance payments to Columbia Energy Services in 1998 totaling $137.5 million for future deliveries.

In mid-1998, Columbia Energy Services signed a long-term energy management contract for a 365-megawatt combined-cycle, natural gas-fired generation facility in Hopewell, Virginia. Columbia Energy Services began providing the facility with natural gas in June 1998. This facility has a baseload volume of approximately 5,000 million British thermal units (MMBtu) daily for steam generation and a daily peak demand volume of up to 75,000 MMBtu for electric generation to be sold in Virginia. In addition to supplying natural gas, Columbia Energy Services is managing the facility's fuel oil reserve tanks.

In addition to natural gas commodity trading and marketing activities, Columbia Energy Services entered the electricity trading business in December

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1997 and has expanded its trading and scheduling operations in northeastern, midwestern, southwestern, and western United States. Over the past year, trading levels have increased to 14,364 Gigawatt hours for the year 1998, providing revenues of $564.4 million. Columbia Energy Services actively trades in cash and forward markets, as well as electricity futures traded on the four New York Mercantile Exchanges. Columbia Energy Services is building its capabilities and related infrastructure to deliver electricity to retail customers in the Northeast.

Retail Energy Activity

Retail energy activity can be grouped into two broad strategic business units: Major Accounts and Mass Markets. These retail business units market to end-use customers, both for gas and power retail markets. Management believes that Columbia Energy Services is favorably positioned for gas and electric retail market unbundling and deregulation. During 1998, the Major Accounts strategic business unit significantly increased the number of industrial and large commercial customers served. Geographically, it expanded activity into two new regions of the country, northeast and southeast, adding eight new states to Columbia Energy Services' market territory. The Major Accounts group signed several agreements to provide energy service with prominent national chain restaurants and retail stores, including its first retail electric customer in New York.

Columbia Energy Services initiated residential marketing programs in 10 states in 1998 (Ohio, Pennsylvania, Michigan, Maryland, Indiana, Virginia, Georgia, Kentucky, West Virginia and New Jersey). During 1998, Columbia Energy Services increased its Mass Market customer base to over 363,000 or nearly 4 times the number of customers since the beginning of the year.

During 1998, Columbia Energy Services entered the Georgia retail natural gas market where it was certified by the Georgia Public Service Commission to sell natural gas. All 1.2 million retail customers of an LDC located in Atlanta will either choose a new natural gas supplier or be assigned to a provider. Also, during 1998, Columbia Energy Services obtained its first residential electric customers in Pennsylvania.

Columbia Energy Services is also offering diverse products and services related to the deregulation of retail markets. For example, two energy efficiency software products, developed by Columbia Energy Services, were launched late in the third quarter of 1998. These software products are targeted toward helping residential and commercial customers save money on energy costs.

Gross Margins

Gross margins of $42.7 million for 1998 more than doubled from the $20.6 million in 1997. Electric power marketing sales, which began in late 1997, together with increased gas sales represented the majority of the increase. Electric power traded in 1998 was 14,364 Gigawatt hours while gas sales in 1998 of 1,581 Bcf represented a 78 percent increase over 1997. Much of the growth in gas sales came from increased lower-margin wholesale sales that are necessary to expand Columbia Energy Services' base for future retail growth. Included in the results for 1998 was the $6.5 million loss mentioned above.

The $20.6 million gross margin for 1997 was $4.1 million higher than for 1996, reflecting gas sales of 888.4 Bcf that more than tripled the 1996 level due to the significant growth of Columbia Energy Services' operations. The impact of higher gas sales volumes was partially offset by a decrease in average margins.

Operating Loss

A 1998 operating loss of $59 million was $45.8 million greater than the $13.2 million loss in 1997, due to 1998 operating expenses that were $67.9 million higher than the year earlier. The higher expenses related to the implementation of Columbia Energy Services' strategy to build its systems and infrastructure, including adding and retaining qualified staff. Included in these higher expenses was the $16.3 million reserve, discussed above, and higher current period expenses for costs associated with the development of new products and services and customer acquisition costs related to adding new Mass Market retail customers.

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STATEMENTS OF OPERATING INCOME FROM MARKETING OPERATIONS (UNAUDITED)

Year Ended December 31, (in millions)	1998	1997	1996
OPERATING REVENUES			
Gas revenues	$3,507.8	$2,187.0	$ 728.0
Power revenues	564.4	--	--
Total Operating Revenues	4,072.2	2,187.0	728.0
Less: Products purchased	4,029.5	2,166.4	711.5
Gross Margin	42.7	20.6	16.5
OPERATING EXPENSES			
Operation and maintenance	95.7	31.1	11.2
Depreciation	4.1	1.6	0.3
Other taxes	1.9	1.1	0.5
Total Operating Expenses	101.7	33.8	12.0
OPERATING INCOME (LOSS)	$ (59.0)	$ (13.2)	$ 4.5

MARKETING OPERATING HIGHLIGHTS

	1998	1997	1996	1995	1994
CAPITAL EXPENDITURES ($ in millions)	16.0	5.1	0.8	1.0	0.2
MARKETING SALES					
Gas (Bcf)	1,581.0	888.4	259.6	131.6	111.2
Power (Gwh)	14,364	--	--	--	--

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

PROPANE, POWER GENERATION AND LNG OPERATIONS

During 1998, Columbia Propane Corporation (Columbia Propane) and Columbia Electric Corporation (Columbia Electric) were involved in several transactions designed to increase the contribution by Columbia's nonregulated companies to consolidated results. Columbia Propane purchased the assets of three propane companies and Columbia Electric announced its participation in two cogeneration projects.

Propane

During 1998, Columbia Propane purchased the propane assets of three companies that in total added approximately 12,500 new customers and 6.4 million gallons of annual propane sales to Columbia Propane.

Power Generation

Columbia Electric's primary focus has been the development, ownership and operation of natural gas-fueled cogeneration power plants that sell electric power to local electric utilities under long-term contracts. Columbia Electric is part owner in three cogeneration projects that have a total capacity of approximately 250 megawatts and produce both electricity and useful thermal energy fueled principally by natural gas.

In June 1998, Columbia Electric and LG&E Power Inc., a subsidiary of LG&E Energy Corporation, announced an agreement for Columbia to participate in the development of a gas-fired cogeneration project. The facility will have a total equivalent capacity of approximately 550 megawatts and will provide steam and electric services to a Reynolds Metals plant in Gregory, Texas. The project, Gregory Power Partners, will also provide electricity to the Texas energy market and is expected to begin commercial operation in the Electric Reliability Council of Texas (ERCOT) region in the summer of 2000. Construction began in August 1998 and financing for the $257 million project was secured in November of 1998.

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In January 1998, Columbia Electric and Westcoast Energy Inc. signed a joint ownership agreement to develop three gas-fired electric generation plants by 2001. In total, the three plants would provide approximately 1,000 megawatts of electricity using approximately 160 MMcf per day of natural gas. In August 1998, the parties formed a limited liability company, which subsequently purchased a site in Eddystone, Pennsylvania for the construction of a 500 megawatt, natural gas-fired electric generation plant. The plant, to be called the Liberty Electric Power Plant, is expected to cost about $300 million to develop, and would consume about 80 MMcf per day of natural gas. Each of the sponsors will own a 50% interest in the project. The exact locations of the other two plants have yet to be determined.

Capital Expenditure Program

A large portion of the $20.1 million 1998 capital expenditures program was allocated to propane acquisition activities. The 1999 capital expenditure program is estimated at $129 million and includes amounts primarily for acquisitions, as well as for additional investments in Columbia's subsidiary, Columbia Transmission Telecommunications Corporation, for the development of a dark fiber optics network, as well as for continued investment in the Cove Point LNG facility.

Commodity Hedging

Columbia Propane purchases propane and places it in storage for future sale. Columbia Propane sells commodity futures on a portion of its inventory at the time of purchase to hedge against the risk of decreasing prices.

Net Revenues

Net revenues of $55.1 million for 1998 decreased $2.1 million from 1997. The decrease largely reflects the net effect of Columbia Electric's $3.2 million revenue improvement recorded in the first quarter of 1997 from the assumption of a cogeneration partnership fuel transportation contract. This decrease was partially offset by an increase in propane net revenues of $1.3 million, due to higher margins achieved in the first quarter of 1998 and additional retail sales attributable to recent acquisitions. Total propane volumes for 1998 decreased 4.4 million gallons from 1997 due to warmer weather and lower spot sales.

Net revenues for 1997 increased $11.3 million over 1996 to $57.2 million. Net revenues for Columbia Propane in 1997 increased $1.4 million compared to 1996 due to 11% higher margins, which were partially offset by a 7% decrease in volumes resulting from the warmer than normal weather experienced in the first quarter of 1997 and lower spot market sales activity.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

Operating Income

Operating income of $10.7 million for 1998 decreased $5.6 million from 1997, primarily reflecting the decline in net revenues and a $3.5 million increase in operating expenses due to the recent propane acquisitions and additional start-up costs for new services.

Operating income of $16.3 million was recorded in 1997, up $6.7 million over 1996. Operation and maintenance expense for 1997 increased over 1996 as start-up costs for new services led to higher operating costs.

STATEMENTS OF PROPANE, POWER GENERATION AND LNG OPERATIONS (UNAUDITED)

Year Ended December 31, (in millions)	1998	1997	1996
NET REVENUES			
Propane revenues	$ 63.1	$ 70.4	$ 74.1
Less: Products purchased	34.6	43.2	48.3
Net Propane Revenues	28.5	27.2	25.8
Power generation	8.3	10.6	7.3
Other revenues	18.3	19.4	12.8
Net Revenues	55.1	57.2	45.9
OPERATING EXPENSES			
Operation and maintenance	37.2	35.3	31.6
Depreciation	5.1	3.6	2.8

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Other taxes	2.1	2.0	1.9
Total Operating Expenses	44.4	40.9	36.3
OPERATING INCOME	$ 10.7	$ 16.3	$ 9.6

</TABLE>

PROPANE, POWER GENERATION AND LNG OPERATING HIGHLIGHTS

	1998	1997	1996	1995	1994
CAPITAL EXPENDITURES ($ in millions)	20.1	9.9	5.5	9.0	4.5
PROPANE					
Gallons sold (millions)	66.5	70.9	75.9	68.9	68.5
Customers	113,748	96,954	79,650	74,308	68,218

BANKRUPTCY MATTERS

On November 28, 1995, Columbia and its wholly owned subsidiary, Columbia Transmission emerged from Chapter 11 protection of the United States Bankruptcy Code under the jurisdiction of the United States Bankruptcy Court for the District of Delaware (Bankruptcy Court). Both Columbia and Columbia Transmission had operated under Chapter 11 protection since July 31, 1991. In settlement of its prepetition obligations, Columbia distributed approximately $3.6 billion to its creditors, which included $2.3 billion in payment of Columbia's prepetition debt and approximately $1 billion of interest on that debt. Certain residual unresolved bankruptcy-related matters are still within the jurisdiction of the Bankruptcy Court.

In July 1998, the Bankruptcy Court, granting a motion by Columbia Transmission, entered an Order allowing the claim of the New Bremen Corporation in accordance with the Claims Mediator's Report and Recommendations and the decision of the U.S. 5th Circuit Court of Appeals. In August 1998, New Bremen filed a notice of appeal of this order to the U.S. District Court for the District of Delaware. This litigation is the last remaining producer claim in Columbia Transmission's bankruptcy proceeding. In the first quarter of 1999, Columbia Transmission anticipates reversing that portion of its producer settlement reserve that is in excess of the amount needed to resolve remaining producer-related issues, which will result in an improvement to income.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required by this item is in Item 7 on page 19.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of Columbia Energy Group.:

We have audited the accompanying consolidated balance sheets of Columbia Energy Group (a Delaware corporation, the "Corporation") and subsidiaries as of December 31, 1998 and 1997, and the related statements of consolidated income, cash flows and common stock equity for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedule listed in the Index to Item 8, Financial Statements and Supplementary Data, is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP

New York, New York
February 11, 1999

STATEMENTS OF CONSOLIDATED INCOME
Columbia Energy Group and Subsidiaries

<TABLE>
<CAPTION>

Year Ended December 31, (in millions, except per share amounts)	1998	1997	1996
<S>	<C>	<C>	<C>
NET REVENUES			
Energy sales	$ 5,731.8	$ 4,325.2	$ 2,713.4
Less: Products purchased	4,654.0	3,125.5	1,466.6
Gross Margin	1,077.8	1,199.7	1,246.8
Transportation	557.5	518.9	476.8
Production gas sales	51.6	30.4	37.7
Other	210.2	166.5	111.6
Total Net Revenues	1,897.1	1,915.5	1,872.9
OPERATING EXPENSES			
Operation	810.1	862.1	854.5
Maintenance	91.5	100.2	111.4
Depreciation and depletion	235.2	221.3	215.2
Other taxes	220.3	222.5	213.6
Total Operating Expenses	1,357.1	1,406.1	1,394.7
OPERATING INCOME	540.0	509.4	478.2

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OTHER INCOME (DEDUCTIONS)			
Interest income and other, net (Note 14)	13.4	40.4	26.1
Interest expense and related charges (Note 15)	(152.4)	(157.6)	(166.8)
Total Other Income (Deductions)	(139.0)	(117.2)	(140.7)
INCOME BEFORE INCOME TAXES	401.0	392.2	337.5
Income Taxes (Note 7)	131.8	118.9	115.9
NET INCOME	$ 269.2	$ 273.3	$ 221.6
EARNINGS PER SHARE OF COMMON STOCK*	$ 3.23	$ 3.29	$ 2.75
DILUTED EARNINGS PER SHARE OF COMMON STOCK*	$ 3.21	$ 3.27	$ 2.74
DIVIDENDS PAID PER SHARE OF COMMON STOCK*	$ 0.77	$ 0.60	$ 0.40
AVERAGE COMMON SHARES OUTSTANDING (thousands)*	83,382	83,100	80,681
DILUTED AVERAGE COMMON SHARES (thousands)*	83,748	83,594	80,919

</TABLE>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

* All per share amounts, average common shares outstanding and diluted average common shares have been restated to reflect a three-for-two common stock split, in the form of a stock dividend, effective June 15, 1998. See Note 3 of Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS
Columbia Energy Group and Subsidiaries

<TABLE>
<CAPTION>

ASSETS as of December 31, (in millions)	1998	1997
<S>	<C>	<C>
PROPERTY, PLANT AND EQUIPMENT		
Gas utility and other plant, at original cost	$7,687.8	$7,368.9
Accumulated depreciation	(3,592.3)	(3,481.5)
Net Gas Utility and Other Plant	4,095.5	3,887.4
Gas and oil producing properties, full cost method		
United States cost center	714.1	660.2
Canadian cost center	5.0	--
Accumulated depletion	(225.4)	(196.0)
Net Gas and Oil Producing Properties	493.7	464.2
Net Property, Plant and Equipment	4,589.2	4,351.6
INVESTMENTS AND OTHER ASSETS		
Accounts receivable - noncurrent	26.2	1.6
Unconsolidated affiliates	81.6	74.1
Other	14.3	9.5
Total Investments and Other Assets	122.1	85.2
CURRENT ASSETS		
Cash and temporary cash investments	26.3	28.7
Accounts receivable		
Customer (less allowance for doubtful accounts of $34.2 and $18.7, respectively)	948.9	815.8
Other	56.0	52.7
Gas inventory	186.0	226.8
Other inventories - at average cost	26.8	35.6
Prepayments	115.9	107.7
Regulatory assets	59.5	64.6
Underrecovered gas costs	24.5	41.4
Deferred property taxes	80.0	80.8
Exchange gas receivable	187.4	189.0
Other	69.2	64.6
Total Current Assets	1,780.5	1,707.7
REGULATORY ASSETS	391.4	400.9
DEFERRED CHARGES	85.5	66.9

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TOTAL ASSETS	$6,968.7	$6,612.3

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

* The common shares outstanding at December 31, 1997 do not reflect the three-for-two common stock split, in the form of a stock dividend, effective June 15, 1998.

CAPITALIZATION AND LIABILITIES as of December 31, (in millions)	1998	1997
COMMON STOCK EQUITY		
Common stock, par value $10 per share - issued 83,511,878 and 55,495,460* shares, respectively	$ 835.1	$ 554.9
Additional paid in capital	761.8	754.2
Retained earnings	409.5	482.7
Unearned employee compensation	(0.9)	(1.1)
Accumulated Other Comprehensive Income:		
Foreign currency translation adjustment	(0.2)	--
Total Common Stock Equity	2,005.3	1,790.7
LONG-TERM DEBT (Note 10)	2,003.1	2,003.5
Total Capitalization	4,008.4	3,794.2
CURRENT LIABILITIES		
Short-term debt (Note 11)	144.8	328.1
Accounts and drafts payable	710.7	536.7
Accrued taxes	205.9	140.9
Accrued interest	17.3	29.4
Estimated rate refunds	59.2	68.4
Estimated supplier obligations	72.4	73.9
Overrecovered gas costs	34.3	84.6
Transportation and exchange gas payable	134.2	89.2
Other	312.9	367.0
Total Current Liabilities	1,691.7	1,718.2
OTHER LIABILITIES AND DEFERRED CREDITS		
Deferred income taxes - noncurrent	655.3	618.4
Investment tax credits	34.1	35.6
Postretirement benefits other than pensions	103.7	148.8
Regulatory liabilities	44.0	41.3
Deferred revenue	191.4	67.0
Other	240.1	188.8
Total Other Liabilities and Deferred Credits	1,268.6	1,099.9
COMMITMENTS AND CONTINGENCIES (Note 13)	--	--
TOTAL CAPITALIZATION AND LIABILITIES	$6,968.7	$6,612.3

STATEMENTS OF CONSOLIDATED CASH FLOWS
Columbia Energy Group and Subsidiaries

Year Ended December 31, (in millions)	1998	1997	1996
OPERATING ACTIVITIES			
Net income	$ 269.2	$ 273.3	$ 221.6
Adjustments for items not requiring (providing) cash:			

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Depreciation and depletion	235.2	221.3	215.2
Deferred income taxes	31.6	29.3	78.1
Earnings from equity investment, net of distributions	(8.5)	2.4	9.2
Other - net	121.4	32.2	(5.7)
	648.9	558.5	518.4
Changes in components of working capital:			
Accounts receivable	(139.5)	(199.2)	(64.3)
Income tax refunds	--	--	271.5
Gas inventory	40.8	11.0	(65.6)
Prepayments	(8.2)	(33.9)	(16.3)
Accounts payable	230.7	186.8	160.8
Accrued taxes	46.7	(30.4)	(85.5)
Accrued interest	(12.1)	(1.2)	(71.5)
Estimated rate refunds	(9.2)	(45.6)	17.8
Estimated supplier obligations	(1.5)	(41.2)	(63.2)
Under/Overrecovered gas costs	(33.4)	147.9	(146.3)
Exchange gas receivable/payable	47.3	(89.5)	46.9
Other working capital	(48.8)	5.0	(25.7)
Net Cash From Operations	761.7	468.2	477.0
INVESTMENT ACTIVITIES			
Capital expenditures	(462.9)	(420.5)	(316.4)
Proceeds received on the sale of Columbia Gas Development Corp.	--	--	187.8
Purchase of Alamco, Inc.	--	(99.4)	--
Other investments - net	(12.5)	(9.1)	2.7
Net Investment Activities	(475.4)	(529.0)	(125.9)
FINANCING ACTIVITIES			
Retirement of preferred stock	--	--	(400.0)
Dividends paid	(63.9)	(49.9)	(32.1)
Issuance of common stock	10.5	11.7	250.8
Issuance (repayment) of short-term debt	(182.4)	77.1	(88.9)
Other financing activities	(52.9)	0.8	(39.1)
Net Financing Activities	(288.7)	39.7	(309.3)
Increase (Decrease) in cash and temporary cash investments	(2.4)	(21.1)	41.8
Cash and temporary cash investments at beginning of year	28.7	49.8	8.0
CASH AND TEMPORARY CASH INVESTMENTS AT END OF YEAR	$ 26.3	$ 28.7	$ 49.8
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid for interest	$ 147.0	$ 145.4	$ 150.9
Cash paid for income taxes (net of refunds)	$ 38.3	$ 90.7	$ (93.4)

</TABLE>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

STATEMENTS OF CONSOLIDATED COMMON STOCK EQUITY
Columbia Energy Group and Subsidiaries

<TABLE>
<CAPTION>

	Common Stock*					
(in millions, except for share amounts)	Shares Outstanding** (Thousands)	Par Value	Treasury Stock	Additional Paid In Capital	Retained Earnings	Unearned Employee Compensation
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1995	49,204	$ 506.2	$ (57.8)	$ 595.8	$ 69.8	$ --
Net income					221.6	
Cash dividends:						
Common stock					(32.1)	
Common stock issued:						
Public offering	5,750	43.3	57.8	137.5		
Long-term incentive plan	310	3.1		9.9		(1.5)
Balance at December 31, 1996	55,264	552.6	--	743.2	259.3	(1.5)
Net income					273.3	
Cash dividends:						
Common stock					(49.9)	

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Common stock issued:						
Long-term incentive plan	232	2.3		11.0		0.4
Balance at December 31, 1997	55,496	554.9	--	754.2	482.7	(1.1)
Comprehensive income:						
Net income					269.2	
Foreign currency translation adjustment						
Comprehensive income						
Cash dividends:						
Common stock					(63.9)	
Common stock issued:						
Long-term incentive plan	231	2.3		7.6		0.2
Three-for-two stock split	27,785	277.9			(278.5)	
BALANCE AT DECEMBER 31, 1998	83,512	$ 835.1	$ --	$ 761.8	$ 409.5	$ (0.9)

<CAPTION>

(in millions, except for share amounts)	Accumulated Other Comprehensive Income	Total
<S>	<C>	<C>
Balance at December 31, 1995	$ --	$1,114.0
Net income		221.6
Cash dividends:		
Common stock		(32.1)
Common stock issued:		
Public offering		238.6
Long-term incentive plan		11.5
Balance at December 31, 1996	--	1,553.6
Net income		273.3
Cash dividends:		
Common stock		(49.9)
Common stock issued:		
Long-term incentive plan		13.7
Balance at December 31, 1997	--	1,790.7
Comprehensive income:		
Net income		
Foreign currency translation adjustment	(0.2)	
Comprehensive income		269.0
Cash dividends:		
Common stock		(63.9)
Common stock issued:		
Long-term incentive plan		10.1
Three-for-two stock split		(0.6)
BALANCE AT DECEMBER 31, 1998	$ (0.2)	$2,005.3

</TABLE>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

* 100 million shares authorized at December 31, 1998, 1997, 1996 and 1995 - $10 par value.

** The common shares outstanding at December 31, 1997, 1996 and 1995 do not reflect the three-for-two common stock split, in the form of a stock dividend, effective June 15, 1998.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the accounts of the Columbia Energy Group (Columbia) and all subsidiaries. All intercompany accounts and transactions have been eliminated. Certain reclassifications have been made to the 1997 and 1996 financial statements to conform to the 1998 presentation.

B. CASH AND CASH EQUIVALENTS. Columbia considers all highly liquid short-term investments to be cash equivalents.

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C. EARNINGS PER SHARE. Financial Accounting Standards Board Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (SFAS No. 128), requires dual presentation of Basic and Diluted earnings per share (EPS) by entities with complex capital structures and also requires restatement of all prior period EPS data presented. Basic EPS includes no dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution if certain securities are converted into common stock.

The computation of diluted average common shares follows:

Diluted Average Common Shares Computation	1998	1997	1996
Net Income ($ in millions)	269.2	273.3	221.6
Denominator (thousands)			
Average common shares outstanding	83,382	83,100	80,681
Dilutive potential common shares - options	366	494	238
DILUTED AVERAGE COMMON SHARES	83,748	83,594	80,919

The number of shares reflect a three-for-two common stock split, in the form of a stock dividend, effective June 15, 1998.

D. BASIS OF ACCOUNTING FOR RATE-REGULATED SUBSIDIARIES. Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS No. 71), provides that rate-regulated public utilities account for and report assets and liabilities consistent with the economic effect of the way in which regulators establish rates, if the rates established are designed to recover the costs of providing the regulated service and if the competitive environment makes it reasonable to assume that such rates can be charged and collected. Columbia's transmission and gas distribution subsidiaries follow the accounting and reporting requirements of SFAS No. 71. Certain expenses and credits subject to utility regulation or rate determination normally reflected in income are deferred on the balance sheet and are recognized in income as the related amounts are included in service rates and recovered from or refunded to customers.

Information for assets and liabilities subject to utility regulation and rate determination are as follows:

	TRANSMISSION SUBSIDIARIES		DISTRIBUTION SUBSIDIARIES	
At December 31, ($ in millions)	1998	1997	1998	1997
ASSETS				
Environmental costs	136.7	125.8	6.2	7.4
Postemployment and postretirement benefits costs	60.3	64.6	113.6	121.8
Percent of income plan receivables	--	--	15.3	22.6
Retirement income plan costs	15.2	21.7	16.6	19.2
Regulatory effects of accounting for income taxes	--	--	55.8	50.8
Post in-service carrying charges	--	--	16.9	18.3
Underrecovered gas costs	--	--	24.5	41.4
Other	8.1	7.4	6.2	5.9
TOTAL REGULATORY ASSETS	220.3	219.5	255.1	287.4
LIABILITIES				
Rate refunds and reserves	49.1	55.9	10.1	12.5
Overrecovered gas costs	--	--	34.3	84.6
Regulatory effects of accounting for income taxes	17.3	19.5	21.9	24.1
Other	22.7	7.5	6.6	--
TOTAL REGULATORY LIABILITIES	89.1	82.9	72.9	121.2

E. GAS UTILITY AND OTHER PLANT AND RELATED DEPRECIATION. Property, plant and equipment (principally utility plant) are stated at original cost. The cost of

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gas utility and other plant of the rate-regulated subsidiaries includes an allowance for funds used during construction (AFUDC). Property, plant and equipment of other subsidiaries includes interest during construction (IDC). The 1998 before-tax rates for AFUDC and IDC were 7.43% and 6.96%, respectively. The 1997 and 1996 before-tax rates for AFUDC were 7.09% and 6.15%, respectively, and for IDC were 7.05% and 6.9%, respectively.

Improvements and replacements of retirement units are capitalized at cost. When units of property are retired, the accumulated provision for depreciation is charged with the cost of the units and the cost of removal, net of salvage. Maintenance, repairs and minor replacements of property are charged to expense.

Columbia's subsidiaries provide for annual depreciation on a composite straight-line basis. The average annual depreciation rate for the transmission subsidiaries' property was 2.4% in 1998 and 2.5% in 1997 and 1996. The average annual depreciation rate for the distribution subsidiaries' property was 3.1% in 1998 and 3.2% in 1997 and 1996.

F. GAS AND OIL PRODUCING PROPERTIES. Columbia's subsidiaries engaged in exploring for and developing gas and oil reserves follow the full cost method of accounting. Under this method of accounting, all productive and nonproductive costs directly identified with acquisition, exploration and development activities including certain payroll and other internal costs are capitalized. Depletion is based upon the ratio of current year revenues to expected total revenues, utilizing current prices, over the life of production. If costs exceed the sum of the estimated present value of the net future gas and oil revenues and the lower of cost or estimated value of unproved properties, an amount equivalent to the excess is charged to current depletion expense. Gains or losses on the sale or other disposition of gas and oil properties are normally recorded as adjustments to capitalized costs, except in the case of a sale of a significant amount of properties, which would be reflected in the income statement.

G. ACCOUNTING FOR RISK MANAGEMENT ACTIVITIES. Subsidiaries in Columbia's exploration and production, marketing and propane operations are exposed to market risk due primarily to fluctuations in commodity prices. In order to help minimize this risk, Columbia has adopted a policy that provides for the use of commodity derivative instruments to help ensure stable cash flow, favorable prices and margins as well as to help capture any long-term increases in value. In accordance with Statement of Financial Accounting Standards No. 80, "Accounting for Futures Contracts," a futures contract qualifies as a hedge if the commodity to be hedged is exposed to price risk and the futures contract reduces that exposure and is designated as a hedge. The hedging objectives include assurance of stable and known cash flows, fixing favorable prices and margins when they become available and participation in any long-term increases in value. In no event does Columbia enter into trading positions that are not effectively connected with its business.

Columbia's exploration and production company and propane operations utilize futures and options as well as commodity price swaps and basis swaps. Futures help manage commodity price risk by fixing prices for future production volumes as well as protecting the value and margins of propane inventories. The options provide a price floor for future production volumes and the opportunity to benefit from any increases in prices. Swaps are negotiated and executed over-the-counter and are structured to provide the same risk protection as futures and options. Basis swaps are used to manage risk by fixing the basis or differential that exists between a delivery location index and the commodity futures prices.

Premiums paid for option agreements are included as current assets in the consolidated balance sheet until they are exercised or expire. Margin requirements for natural gas and propane futures are also recorded as current assets. Unrealized gains and losses on all futures contracts, designated as hedges, are deferred on the consolidated balance sheet as either current assets or other deferred credits. Realized gains and losses from the settlement of natural gas futures, options and swaps are included in revenues or products purchased as appropriate, concurrent with the associated physical transaction. Realized gains and losses from the settlement of propane futures contracts are included in products purchased. The cash flows from commodity hedging are included in operating activities in the consolidated statement of cash flows.

Columbia's gas and power marketing operations utilize futures contracts and basis swaps to help assure adequate margins on the purchase and resale of natural gas and electric power. During the fourth quarter of 1998, certain unusual trading activity in Columbia's gas marketing operations resulted in a loss. Consistent with generally accepted accounting principles, Columbia applied mark-to-market accounting for its physical and financial natural gas positions. The market value of the open physical and financial positions at December 31,

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1998, reflected a loss of approximately $6.5 million, which was recorded by Columbia. Effective January 1, 1999, Columbia will utilize mark-to-market accounting for all of its gas and power marketing operations and will mark all physical and financial positions to market in accordance with recently issued EITF Statement 98-10.

Columbia and its subsidiaries are exposed to credit losses in the event of nonperformance by the counterparties to its various financial contracts. Management has evaluated such risk and believes that overall business risk is significantly reduced as these financial contracts are primarily with major investment grade financial institutions or their affiliates.

Columbia utilizes fixed-to-floating interest rate swap agreements to modify the interest characteristics of a portion of its outstanding long-term debt. The differentials between amounts received and paid under the agreements are recorded as adjustments to interest expense.

H. GAS INVENTORY. The distribution subsidiaries' gas inventory is carried at cost on a last-in, first-out (LIFO) basis. The replacement cost of gas inventory at December 31, 1998, was less than the carrying value by approximately $5 million. Liquidation of LIFO layers related to gas delivered by the distribution subsidiaries does not affect income since the effect is passed through to customers as part of purchased gas adjustment tariffs.

I. INCOME TAXES AND INVESTMENT TAX CREDITS. Columbia and its subsidiaries record income taxes to recognize full interperiod tax allocations. Under the liability method of income tax accounting, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities.

Previously recorded investment tax credits of the regulated subsidiaries were deferred and are being amortized over the life of the related properties to conform with regulatory policy.

J. ESTIMATED RATE REFUNDS. Certain rate-regulated subsidiaries collect revenues subject to refund pending final determination in rate proceedings. In connection with such revenues, estimated rate refund liabilities are recorded which reflect management's current judgment of the ultimate outcome of the proceedings. No provisions are made when, in the opinion of management, the facts and circumstances preclude a reasonable estimate of the outcome.

K. DEFERRED GAS PURCHASE COSTS. Columbia's gas distribution subsidiaries defer differences between gas purchase costs and the recovery of such costs in revenues, and adjust future billings for such deferrals on a basis consistent with applicable tariff provisions.

L. REVENUE RECOGNITION. Columbia's gas distribution subsidiaries bill customers on a monthly cycle billing basis. Revenues are recorded on the accrual basis including an estimate for gas delivered but unbilled at the end of each accounting period.

M. ENVIRONMENTAL EXPENDITURES. Columbia accrues for costs associated with environmental remediation obligations when such costs are probable and can be reasonably estimated, regardless of when expenditures are made. The undiscounted estimated future expenditures are based on currently enacted laws and regulations, existing technology and, when possible, site-specific costs. The reserve is adjusted as further information is developed or circumstances change. Rate-regulated subsidiaries applying SFAS No. 71 establish a regulatory asset on the balance sheet to the extent that future recovery of environmental remediation costs is expected through the regulatory process.

N. USE OF ESTIMATES. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. STOCK OPTIONS AND AWARDS. Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), encourages, but does not require, entities to adopt the fair value method of accounting for stock-based compensation plans. This statement requires the value of the option at the date of grant be amortized over the vesting period of the option. Columbia continues to apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB Opinion No. 25).

For stock appreciation rights, compensation expense is recognized on the

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aggregate difference between the market price of Columbia's stock and the option price. Restricted stock awards are recorded as deferred compensation in the consolidated balance sheet at the date of grant. Compensation expense related to restricted stock awards is recognized ratably over the vesting period. Compensation expense related to contingent stock awards is recognized over the vesting period. Columbia sets the grant price of the options at the market price of the stock on the grant date. In accordance with APB Opinion No. 25, expense related to stock options is measured by the difference between the grant price and Columbia's stock price on the measurement date (grant date). Since the difference between the grant price and Columbia's stock price on the measurement date is de minimis, no compensation expense is recognized. When stock options are exercised, common stock is credited for the par value of shares issued and additional paid in capital is credited with the consideration in excess of par.

2. REGULATORY MATTERS

A. In April 1997, the Federal Energy Regulatory Commission (FERC) approved a settlement of Columbia Gas Transmission Corporation's (Columbia Transmission) rate case which provides for an increase in revenues to recover the higher costs incurred since 1991. The settlement also provides an opportunity for the recovery of Columbia Transmission's net investment in gathering and certain gas processing facilities and the continued use of system-wide rates, commonly known as postage-stamp rates, in lieu of zone rates. Under the settlement, Columbia Transmission will not place a new rate case into effect prior to February 1, 2000. The settlement allows Columbia Transmission to retain the gain from the 1996 sale of base gas from one of its storage fields, as well as certain future base gas sales. The settlement rates became effective June 1, 1997 and an after-tax improvement of $12.4 million was recorded in the second quarter of 1997 to reflect the terms of the settlement, including the base gas sale.

Excluded from the settlement is the environmental cost issue which was to be addressed in the second phase of the proceeding scheduled for hearings during the fall of 1998. However, as a result of settlement discussions, the active parties reached an agreement in principle on the overall components of an environmental settlement. The comprehensive agreement in principle includes such major components as Columbia Transmission's total allowed recovery of environmental remediation program costs and the disposition of any proceeds received by Columbia Transmission from insurance carriers and others. At this time, the agreement is either supported or not opposed by all but two parties. Columbia Transmission anticipates filing a stipulation and agreement with the FERC in the first quarter of 1999.

B. In its September 1993 order on Columbia Transmission's and Columbia Gulf Transmission Company's (Columbia Gulf) FERC Order No. 636 (Order 636) compliance filings, the FERC initiated a proceeding concerning Columbia Gulf's transportation service to Columbia Transmission. It directed Columbia Gulf to show cause as to why it had not filed for FERC's abandonment authorization to reduce capacity on its mainline facilities. In a

response to the FERC in late 1993, Columbia Gulf asserted that no abandonment authorization was required. The FERC issued an order on August 8, 1997, approving a Stipulation and Consent Agreement that required Columbia Gulf to conduct a 30-day open season on additional firm mainline capacity up to its certificated design capacity. The open season concluded on December 15, 1997 and resulted in requested capacity that exceeded Columbia Gulf's certificated level. On December 24, 1998, the FERC issued an order rejecting all substantial challenges and reaffirmed the settlement. On January 25, 1999, a petition for clarification or rehearing and a separate petition for rehearing of the FERC's December 24, 1998 order were filed. On February 19, 1999, the FERC issued a tolling order giving itself additional time to act on the January 25, 1999 petitions. In late February 1999, five parties appealed the December 24, 1998 and August 8, 1997 FERC orders to the Court of Appeals for the District of Columbia.

C. On January 7, 1998, the Public Utility Commission of Ohio (PUCO) approved an amendment to the 1994 rate case settlement. The amendment establishes a five-year funding mechanism that enabled Columbia Gas of Ohio, Inc. (Columbia of Ohio) to expand its Customer CHOICE(SM) transportation program for residential and small commercial customers statewide in 1998. The funding mechanism authorizes Columbia of Ohio to use off-system sales, capacity release revenues and fees collected from marketers to offset the cost of transition capacity that may be generated by expansion of the Customer CHOICE(SM) program, while simultaneously providing Columbia of Ohio with an opportunity to retain some of the capacity release and off-system sales revenue. The amendment also extends by one year, to January 1, 2000, Columbia of Ohio's commitment not to implement any increase in base rates. The amendment gives Columbia of Ohio the responsibility to manage the transition pipeline capacity costs that will arise as residential and small commercial customers elect to acquire the commodity directly from

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marketers participating in the Customer CHOICE(SM) program, and revenue streams from a number of sources including off-system sales and capacity releases with which to manage this responsibility. Columbia of Ohio has accepted the risk for up to 11% of the transition capacity costs to the extent these costs exceed the revenue streams available to offset them. However, if after the conclusion of the five-year program the revenues from these sources more than offset the transition capacity costs, then customers and Columbia of Ohio will share the credit balance, 75% to the customers and 25% to Columbia of Ohio. In June 1998, Columbia of Ohio received approval from the PUCO to extend its Customer CHOICE(SM) program to all of its nearly 1.3 million customers.

3. STOCK SPLIT EFFECTED IN THE FORM OF A STOCK DIVIDEND

On May 20, 1998, Columbia's board of directors approved a three-for-two common stock split, effected in the form of a 50% stock dividend (stock split), on June 15, 1998, payable to shareholders of record as of June 1, 1998. In connection with the stock split, 27.8 million shares were issued on June 15, 1998, and $277.9 million was transferred to common stock from retained earnings. The value of fractional shares resulting from the stock split was determined at the closing price on June 1, 1998, and $0.6 million was paid in cash to the shareholders for fractional-share interests. All references in the financial statements and notes to the number of common shares outstanding and per-share amounts, except where otherwise noted, reflect the retroactive effect of the stock split.

4. RESTRUCTURING ACTIVITIES

In 1996, Columbia's subsidiaries completed a top-down review of their management structure and operations in an effort to streamline their organizations and improve customer service. The studies examined all aspects of Columbia's operations including the configuration and location of its management.

The transmission subsidiaries' restructuring project focused on all processes within the companies' operations. These efforts resulted in streamlined business functions, improved organizational structures and reduced staff levels.

The distribution segment initiated a restructuring of its headquarters' operations as part of its ongoing efforts to provide enhanced customer service and to achieve greater operating efficiencies. These initiatives, which are designed to streamline and enhance customer service, are continuing. Additional studies are underway in all of the distribution segment's service territories that may affect the field organizations in functions other than customer service and may result in additional positions being eliminated, with additional expense being recorded.

In the third quarter of 1996, Columbia Energy Group Service Corporation, Columbia LNG Corporation and Columbia Electric Corporation (Columbia Electric), formerly TriStar Ventures Corporation, implemented restructuring programs and moved their corporate headquarters from Wilmington, Delaware to Northern Virginia.

As a result of these restructuring programs, it is estimated that 1,412 management, professional, administrative and technical positions will ultimately be eliminated. In 1996, Columbia recorded a pre-tax charge of $60.9 million in

operating expense representing severance and related benefit costs, relocation costs, the establishment of the new corporate center and costs related to the sale of the former headquarters building. This charge included $52.7 million of estimated termination benefits. Partially offsetting these charges was a $6 million pre-tax gain on the sale of the former headquarters building. During 1997, Columbia recorded pre-tax charges of $31.1 million in operating expense representing additional severance and related benefits costs, and additional relocation costs. This charge included $18.9 million of estimated termination benefits. As of December 31, 1998, approximately 1,330 employees have been terminated as a result of these programs and the consolidated balance sheet reflects an accrual of $4.6 million associated with these restructuring programs.

5. RISK MANAGEMENT ACTIVITIES

Columbia's gas and power marketing operations utilize futures contracts and basis swaps to help assure adequate margins on the purchase and resale of natural gas and electric power. During the fourth quarter of 1998, certain unusual trading activity in Columbia's gas marketing operations resulted in a loss. Consistent with generally accepted accounting principles, Columbia applied mark-to-market accounting for its physical and financial natural gas positions. The market value of the open physical and financial positions at December 31, 1998, reflected a loss of approximately $6.5 million, which was recorded by

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Columbia.

The fair market value of gas trading assets and liabilities were $176.8 million and $183.3 million, respectively, at December 31, 1998. The average fair market value of trading assets and liabilities were $117.9 million and $111.9 million, respectively, for the quarter ended December 31, 1998. Columbia measures the market risk in its portfolios on a daily basis and employs multiple risk control mechanisms including value-at-risk measures. Based on a 95% confidence interval and a one-day time horizon, the value-at-risk for gas trading financial instruments was approximately $1.8 million as of December 31, 1998.

During the first three quarters of 1998, $15.1 million of losses were recognized in operating income on the settlement of natural gas option and swap contracts qualifying for hedge accounting, by the gas marketing subsidiary. These losses were offset by amounts realized from the sale of the underlying products.

At December 31, 1998, there were 481 net future equivalent contracts to sell electric power maturing from January 1999 to September 1999 representing a notional quantity amounting to 354 Gigawatt hours. A total of $0.8 million of unrealized losses have been deferred on the consolidated balance sheet with respect to these open contracts. These unrealized losses are largely offset by gains, which will be realized when the electricity is sold. Based on a 95% confidence interval and a one-day time horizon, the value-at-risk for the electric power instruments was approximately $0.4 million as of December 31, 1998. During the year ended December 31, 1998, $0.3 million of losses were recognized in operating income on the settlement of electric power futures.

Columbia's exploration and production subsidiary hedged a portion of its gas production that was subject to price volatility through a gas marketing affiliate. The gas marketing affiliate, in turn, as part of its normal course of business, hedged these positions in the marketplace. At December 31, 1998, there were 6,896 open contracts representing a notional quantity amounting to 16.4 Bcf of commodity contracts and 44.1 Bcf of basis contracts for natural gas production through October 1999 at a combined average price of $2.79 per Mcf. A total of $9.1 million of unrealized gains have been deferred on the consolidated balance sheet with respect to these open contracts. During the year ended December 31, 1998, $ 11.0 million of gains were realized on contracts settled. At December 31, 1997, there were 5,443 open contracts representing a notional quantity amounting to 24.7 Bcf of commodity contracts and 23.0 Bcf of basis contracts for natural gas production through November 1998 at a combined average price of $3.02 per Mcf. A total of $8.1 million of unrealized gains have been deferred on the consolidated balance sheet with respect to these open contracts. During the year ended December 31, 1997, $4.8 million of losses were realized on contracts settled.

Columbia's propane subsidiary hedges a portion of its inventory at the time of purchase against the risk of decreasing prices. At December 31, 1998, there were 620 open contracts through March 1999 representing a notional quantity amounting to 26.0 million gallons of propane. A total of $0.4 million of unrealized losses have been deferred on the consolidated balance sheet with respect to these open contracts. During the year ended December 31, 1998, $1.0 million of losses were realized on contracts settled. At December 31, 1997, there were 200 open contracts through February 1998 representing a notional quantity amounting to 8.4 million gallons of propane. No unrealized gains or losses were deferred on the consolidated balance sheet with respect to these open contracts. During the year ended December 31, 1997, $0.4 million of gains were realized on contracts settled.

6. NEW ACCOUNTING STANDARDS

A. In February 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 132, "Employees' Disclosures about Pensions and Other Postretirement Benefits" (SFAS No. 132). This statement revises disclosures about pension and other postretirement benefit plans. It does not change the measurement or recognition of the costs of those plans. The disclosures required by this statement are reflected in the December 31, 1998 financial statements. As required by SFAS No. 132, prior periods presented are restated for comparative purposes (See Note 8).

B. In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. SFAS No. 133 requires an entity to recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to

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changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (b) a hedge of the exposure to variable cash flows of a forecasted transaction, or (c) a hedge of the foreign currency exposure of a net investment in a foreign-currency-denominated forecasted transaction. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and resulting designation. This statement is effective January 1, 2000. Columbia does not anticipate that the adoption of this statement will have a significant impact on the consolidated financial statements.

C. In November 1998, the Financial Accounting Standards Board Emerging Issues Task Force reached a consensus in Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities" (EITF 98-10). This issue provides guidance regarding the accounting for energy trading contracts. This consensus should be applied to financial statements issued for fiscal years beginning after December 15, 1998. The application of EITF 98-10 will not have a significant impact on the consolidated financial statements as the gas marketing affiliate commenced marking its physical and financial gas transactions to market during the fourth quarter of 1998.

7. INCOME TAXES

The components of income tax expense are as follows:

Year Ended December 31, ($ in millions)	1998	1997	1996
INCOME TAXES			
Current			
Federal	98.4	82.4	30.4
State	1.8	7.2	7.5
Total Current	100.2	89.6	37.9
Deferred			
Federal	46.3	50.4	64.6
State	(13.2)	(19.6)	14.9
Total Deferred	33.1	30.8	79.5
Deferred Investment Credits	(1.5)	(1.5)	(1.5)
TOTAL INCOME TAXES	131.8	118.9	115.9

Total income taxes are different from the amount that would be computed by applying the statutory Federal income tax rate to book income before income tax. The major reasons for this difference are as follows:

Year Ended December 31, ($ in millions)	1998		1997		1996	
Book income before income taxes	401.0		392.2		337.5	
Tax expense at statutory Federal income tax rate	140.4	35.0%	137.3	35.0%	118.1	35.0%
Increases (reductions) in taxes resulting from:						
State income taxes, net of Federal income tax benefit	(7.4)	(1.8)	(8.1)	(2.1)	16.7	4.9
Estimated non-deductible expenses	1.6	0.4	0.7	0.2	0.9	0.3
Effect of change in deferred taxes previously provided	1.5	0.4	(1.9)	(0.5)	(4.0)	(1.2)
Adjustment to prior year's tax provision due to pending settlement	0.7	0.2	(3.2)	(0.8)	(11.3)	(3.4)
Other	(5.0)	(1.3)	(5.9)	(1.5)	(4.5)	(1.3)
INCOME TAXES	131.8	32.9%	118.9	30.3%	115.9	34.3%

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Deferred income taxes result from temporary differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The principal components of Columbia's net deferred tax liability are as follows:

At December 31, ($ in millions)	1998	1997
Deferred tax liabilities		
Property basis differences	688.1	655.3
Gas purchase costs	55.0	52.4
Partnership deferrals	27.8	27.5
Other	33.1	39.5
Gross Deferred Tax Liabilities	804.0	774.7
Deferred tax assets		
Estimated supplier obligations	(28.2)	(28.8)
Estimated rate refunds	(21.8)	(16.8)
Capitalized inventory overheads	(22.1)	(26.7)
Unbilled utility revenue	(20.9)	(23.2)
Benefit plan accruals	(16.2)	(37.7)
Environmental liabilities	(10.5)	(8.1)
Tax loss carryforwards	(43.9)	(48.7)
Deferred revenue	(18.4)	(17.5)
Other	(43.3)	(32.7)
Gross Deferred Tax Assets	(225.3)	(240.2)
Deferred Tax Asset Valuation Allowance	31.3	34.4
NET DEFERRED TAX LIABILITY*	610.0	568.9

* Includes net current deferred tax assets of $45.3 million and $49.5 million reflected in Current Assets for 1998 and 1997, respectively.

As reflected by the valuation allowance in the table above, Columbia had potential tax benefits of $31.3 million and $34.4 million at December 31, 1998 and 1997, respectively, which were not recognized in the statements of consolidated income when generated. These benefits resulted from state income tax operating loss carryforwards which are available to reduce future tax liabilities. Management believes there is a risk that certain of these carryforwards may expire unused and therefore, an asset has not been recorded for such future benefits. The expiration of the tax loss carryforward benefits, net of federal taxes, in 1999 is $1.9 million, in 2000 is $1.2 million, in 2001 is $0.4 million, in 2002 is $0.1 million, in 2003 is $0.2 million and beyond is $40.1 million

8. PENSION AND OTHER POSTRETIREMENT BENEFITS

Columbia has a noncontributory, qualified defined benefit pension plan covering essentially all employees. Benefits are based primarily on years of credited service and employees' highest three-year average annual compensation in the final five years of service. Columbia's funding policy complies with Federal law and tax regulations. In addition, Columbia has a nonqualified pension plan that provides benefits to some employees in excess of the qualified plan's Federal tax limits. Columbia also provides medical coverage and life insurance to retirees. Essentially all active employees are eligible for these benefits upon retirement after completing ten consecutive years of service after age 45. Normally, spouses and dependents of retirees are also eligible for medical benefits. Columbia is reflecting the information presented below as of September 30, rather than December 31. The effect of utilizing September 30, rather than December 31, is not significant.

The following tables provides a reconciliation of the plans' funded status and amounts reflected in Columbia's balance sheet at December 31:

	PENSION BENEFITS		OTHER BENEFITS	
($ in millions)	1998	1997	1998	1997

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<S>	<C>	<C>	<C>	<C>
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	888.9	869.9	309.8	287.2
Service cost	31.3	28.7	13.0	11.2
Interest cost	64.7	67.6	23.4	23.1
Plan participants' contributions	--	--	2.7	--
Plan amendments	--	--	(2.2)	--
Actuarial gain	56.0	35.4	6.2	7.5
Settlements	--	--	(130.3)	--
Actual expense paid	(5.2)	(6.1)	--	--
Benefits paid	(88.9)	(106.6)	(23.7)	(19.2)
Benefit obligation at end of year	946.8	888.9	198.9	309.8
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	1,164.6	1,033.9	242.9	179.6
Actual return on plan assets	20.8	243.1	11.2	48.3
Columbia contributions	--	--	32.4	34.2
Plan participants' contributions	--	--	2.8	--
Settlements	--	--	(146.9)	--
Actual expense paid	(5.2)	(6.1)	(1.7)	--
Benefits paid	(88.7)	(106.3)	(23.7)	(19.2)
Fair value of plan assets at end of year	1,091.5	1,164.6	117.0	242.9
Funded status of plan at end of year	144.7	275.7	(81.9)	(66.9)
Unrecognized actuarial net gain	(237.8)	(390.2)	(41.5)	(129.9)
Unrecognized prior service cost	45.1	48.9	(2.2)	--
Unrecognized transition obligation	4.6	5.8	--	--
Fourth quarter contributions	--	--	4.5	7.4
ACCRUED BENEFIT COST	(43.4)	(59.8)	(121.1)	(189.4)

<CAPTION>

	PENSION BENEFITS		OTHER BENEFITS	
	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
WEIGHTED-AVERAGE ASSUMPTIONS AS OF SEPTEMBER 30,				
Discount rate assumption	6.75%	7.50%	6.75%	7.50%
Compensation growth rate assumption	4.40%	4.30%	4.40%	4.30%
Medical cost trend assumption	--	--	5.50%	5.50%
Assets earnings rate assumption	9.00%	9.00%	9.00%*	9.00%*

</TABLE>

* One of the several established medical trusts is subject to taxation which results in an after-tax asset earnings rate that is less than 9.00%

The following table provides the components of the plans expense for each of the three years:

<TABLE>
<CAPTION>

	PENSION BENEFITS			OTHER BENEFITS		
($ in millions)	1998	1997	1996	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
NET PERIODIC COST						
Service cost	31.3	28.7	35.0	13.0	11.2	13.8
Interest cost	64.7	67.6	70.7	23.5	23.1	22.4
Expected return on assets	(99.7)	(88.2)	(90.3)	(18.3)	(13.1)	(12.0)
Amortization of transition obligation	1.2	1.2	1.2	--	--	--
Recognized gain	(17.5)	(11.3)	(2.0)	(10.3)	(9.6)	(5.9)
Prior service cost amortization	3.7	3.7	4.1	--	--	--
Settlement gain	--	--	--	(46.6)	--	--
NET PERIODIC BENEFITS COST (BENEFIT)	(16.3)	1.7	18.7	(38.7)	11.6	18.3

</TABLE>

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

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	1% point increase	1% point decrease
Effect on service and interest components of net periodic cost	$ 2.8	$ (2.6)
Effect on accumulated postretirement benefit obligation	$ 14.9	$ (14.5)

In March 1998, trusts established by Columbia purchased insurance policies that provide both medical and life insurance with respect to liabilities to a selected class of current retirees. This resulted in a pre-tax gain in the amount of $46.6 million. This gain is reflected in the financial statements as a $25.4 million reduction to benefits expense, and a $21.2 million liability of certain rate-regulated companies.

9. LONG-TERM INCENTIVE PLAN

On April 26, 1996, shareholders approved a new Long-Term Incentive Plan (New LTIP). The New LTIP which is effective for ten years, beginning February 21, 1996, provides for the granting of nonqualified stock options and incentive stock options, contingent stock awards, stock appreciation rights and restricted stock awards to officers and key employees. The New LTIP also provides for the granting of nonqualified stock options to outside directors. A total of 3,000,000 shares of Columbia's authorized common stock is available under the New LTIP's provisions.

On April 26, 1996, shareholders also approved an incentive compensation plan for outside directors under which they may receive benefits in lieu of a retirement plan and defer current compensation in the form of phantom stock units, which equates the amounts granted to the directors with the performance of Columbia's stock.

Columbia's Long-Term Incentive Plan (LTIP), in effect from 1985 through 1995, provided for the granting of nonqualified stock options, stock appreciation rights and contingent stock awards as determined by the Compensation Committee of the Board of Directors. That committee also had the right to modify any outstanding award. A total of 1,500,000 shares of Columbia's authorized common stock was initially reserved for issuance under the LTIP's provisions.

Stock appreciation rights, which were granted in connection with certain nonqualified stock options, entitle the holders to receive stock, cash or a combination thereof equal to the excess market value over the grant price. Stock options and related stock appreciation rights granted under the LTIP generally have a maximum term of ten years and vest over two to four years.

Transactions for the three years ended December 31, 1998, are as follows:

	Options		
	Without Stock Appreciation Rights	With Stock Appreciation Rights	Options Price Range
Outstanding at December 31, 1995	524,320	150,050	$28.99-$46.68
Granted	100,000	--	$48.6875
Exercised	(209,625)	(66,860)	$28.99-$46.68
Forfeited	(9,020)	(7,260)	$34.30-$46.68
Outstanding at December 31, 1996	405,675	75,930	$28.99-$48.6875
Granted	1,133,350	--	$58.375-$71.0938
Exercised	(183,138)	(48,790)	$28.99-$63.6875
Forfeited	(41,962)	(3,240)	$34.30-$63.6875
Outstanding at December 31, 1997	1,313,925	23,900	$28.99-$71.0938
Granted	853,300	--	$76.15625-$77.5625
Exercised	(92,821)	--	$28.99-$63.6875
Forfeited	(9,000)	--	$58.375-$76.15625
Adjustment for three-for-two stock split	1,032,700	11,950	$19.33-$51.7083*
Granted	20,800	--	$52.875-$58.375
Exercised	(114,579)	(26,190)	$19.33-$42.4583

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Forfeited	(19,050)	--	$ 50.77083
OUTSTANDING AT DECEMBER 31, 1998	2,985,275	9,660	$19.33-$58.375
EXERCISABLE AT DECEMBER 31, 1998	1,193,300	9,660	$19.33-$51.7083

</TABLE>

* Reflects repricing of outstanding stock options for the effect of the three-for-two common stock split.

Regarding the stock options granted in 1998 and 1997, such options vest ratably over three years. Regarding the stock options granted in 1996, 50% of such options vested in 1996 and the other 50% vested in 1997.

The following table shows the weighted-average option exercise price information for the three years ended December 31:

<TABLE>
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	1998	1997	1996
<S>	<C>	<C>	<C>
Outstanding at January 1	$ 59.37	$ 42.88	$ 41.31
Granted during the year	75.69	63.40	48.69
Exercised during the year	43.97	44.31	41.07
Forfeited during the year	55.49	62.01	44.15
OUTSTANDING AT DECEMBER 31	44.79	59.37	42.88
EXERCISABLE AT DECEMBER 31	39.56	54.70	42.21

</TABLE>

In 1996, contingent stock awards totaling 1,500 shares were granted and issued to one key executive. There were no contingent stock awards granted in 1997 or 1998. Restricted stock awards totaling 29,785 shares were granted to one key executive in 1996 of which 5,957 shares vested during 1997 and 5,957 shares vested during 1998.

During 1998, 1997 and 1996, $2.4 million, $3.2 million and $2.1 million were expensed for the long-term incentive plans, respectively.

Had compensation cost been determined consistent with the provisions of the SFAS No. 123 fair value method (See Note 1), Columbia's net income would have been $258.4 million (earnings per share of $3.10 and diluted earnings per share of $3.09) in 1998 and $266.8 million (earnings per share of $3.21 and diluted earnings per share of $3.19) in 1997. The effect on Columbia's net come and earnings per share for 1996 would have been immaterial. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used for grants in 1998, 1997 and 1996: dividend yield of zero percent for 1998, 1997 and 1996 to reflect dividend equivalents applicable to awards granted; expected volatility ranging from 14.97% to 17.40% for 1998, 18.41% to 19.29% for 1997 and 20.12% for 1996; risk-free interest rates ranging from 4.90% to 5.77% for 1998, 5.86% to 6.89% for 1997 and 6.58% for 1996; and expected lives of seven years. The weighted-average fair market value of options granted were $17.79, $24.85 and $19.80 for 1998, 1997 and 1996, respectively.

10. LONG-TERM DEBT

The long-term debt (exclusive of current maturities) of Columbia and its subsidiaries is as follows:

<TABLE>
<CAPTION>

At December 31, ($ in millions)	1998	1997
<S>	<C>	<C>
Columbia Energy Group Debentures		
6.39% Series A due November 28, 2000	311.0	311.0
6.61% Series B due November 28, 2002	281.5	281.5
6.80% Series C due November 28, 2005	281.5	281.5
7.05% Series D due November 28, 2007	281.5	281.5
7.32% Series E due November 28, 2010	281.5	281.5
7.42% Series F due November 28, 2015	281.5	281.5
7.62% Series G due November 28, 2025	281.5	281.5
Total Debentures	2,000.0	2,000.0

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Subsidiary Debt:		
Capitalized lease obligations	3.1	2.7
Other	--	0.8
TOTAL LONG-TERM DEBT	2,003.1	2,003.5

</TABLE>

During 1998, Columbia entered into interest rate swap agreements to modify the interest characteristics of its outstanding long-term debt. At December 31, 1998, Columbia has outstanding four interest rate swap agreements effective through November 28, 2002, on $200 million notional amounts of its 6.61% Series B Debentures due November 28, 2002. In addition, Columbia has outstanding an interest rate swap agreement effective through November 28, 2005, on a $100 million notional amount of its 6.80% Series C Debentures due November 28, 2005. Under the terms of the agreements, Columbia pays interest based on a floating rate index and receives interest based on a fixed rate. The effect of these agreements is to modify the interest rate characterization of a portion of Columbia's long-term debt from fixed to variable. The effect of these interest rate swaps on interest expense at December 31, 1998, was immaterial.

The aggregate maturities of long-term debt and capitalized lease obligations during the next five years are as follows:

<TABLE>
<CAPTION>
($ in millions)

<S>	<C>
1999	0.3
2000	311.2
2001	0.2
2002	281.8
2003	0.3

</TABLE>

11. SHORT-TERM DEBT AND CREDIT FACILITIES

In March 1998, Columbia established two new unsecured bank revolving credit facilities that total $1.35 billion (New Credit Facilities) to replace the $1 billion five-year revolving credit agreement entered into by Columbia in November 1995. The New Credit Facilities consist of a $900 million five-year revolving credit facility and a $450 million 364-day revolving credit facility with a one-year term loan option. The five-year facility provides for the issuance of up to $300 million of letters of credit. Interest rates on borrowings under the New Credit Facilities are based upon the London Interbank Offered Rate or Citibank's publicly announced "base rate." Facility fee payments are based upon Columbia's public debt ratings. At Columbia's current rating, the facility fee charged on the $900 million credit facility is 0.09% and on the $450 million credit facility is 0.06%. The New Credit Facilities contain certain covenants that must be met to borrow funds including restrictions on the incurrence of liens and a maximum leverage ratio. Compensating balances are not required.

At December 31, 1998, Columbia had no borrowings outstanding under the New Credit Facilities. The maximum indebtedness outstanding during the year occurred on January 1, 1998, in the amount of $120 million at an average interest rate of 6.17%.

As of December 31, 1998, Columbia had $44.4 million of letters of credit outstanding under the New Credit Facilities. Fees for letters of credit issued are calculated at rates that are based on Columbia's public debt rating plus a commission of 0.125% to the issuing bank. In addition, Columbia had a $75 million letter of credit outstanding at December 31, 1998 and December 31, 1997, as a guarantee of certain transactions of its wholly owned marketing affiliate. Fees for the letter of credit issued were at a rate of 0.35%.

Columbia has an $850 million commercial paper program authorized and rated by the rating agencies. The commercial paper program is supported by the New Credit Facilities. At December 31, 1998, Columbia had commercial paper outstanding of $144.8 million (net of discount) at a weighted-average interest rate of 6.12%. The maximum commercial paper indebtedness outstanding during the year occurred on February 6, 1998, in the amount $237.1 million at an average interest rate of 5.72%. At December 31, 1997, Columbia had commercial paper outstanding of $208.1 million (net of discount) at a weighted-average interest rate of 6.42%

In November 1995, Columbia entered into an unsecured $1 billion five-year

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revolving credit agreement (Credit Facility). The Credit Facility was used to support outstanding commercial paper and to meet other short-term requirements. Interest rates on borrowings were based upon the London Interbank Offered Rate, Certificate of Deposit rates or other short-term interest rates including a facility fee on the commitment amount at a rate based on Columbia's public debt rating. The facility fee rate as of December 31, 1997 was 0.11%.

At December 31, 1997, Columbia had outstanding $120 million under the Credit Facility at an average interest rate of 6.17%. Columbia had $42.7 million of letters of credit outstanding at December 31, 1997 under the Credit Facility. Fees for letters of credit issued under the Credit Facility were calculated at rates based on Columbia's public debt rating plus a commission of 0.125% to the issuing bank.

At December 31, 1998, approximately $7.6 million of investments were pledged as collateral on outstanding letters of credit related to Columbia's wholly owned insurance company.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," requires all entities to disclose the fair value of financial instruments, both assets and liabilities, recognized and not recognized in the consolidated balance sheets, for which it is practicable to estimate a fair value. For purposes of this disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value may be based on quoted market prices for the same or similar financial instruments or on valuation techniques, such as the present value of estimated future cash flows using a discount rate commensurate with the risks involved.

As cash and temporary cash investments, current receivables, current payables, and certain other short-term financial instruments are all short-term in nature, their carrying amount approximates fair value. Columbia utilizes standby letters of credit (See Note 11) and does not believe it is practicable to estimate their fair value.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

LONG-TERM INVESTMENTS

Long-term investments include loans receivable ($3.3 million for 1998 and $3.7 million for 1997) whose estimated fair values are based on the present value of estimated future cash flows using an estimated rate for similar loans. Long-term investments also include pledged assets ($11.8 million for 1998 and $7.5 million for 1997), whose estimated fair value is based on the trading value provided by a financial institution. The financial instruments included in long-term investments are primarily reflected in Investments and Other Assets on the consolidated balance sheets. Long-term investments for which it is practicable to estimate fair value had carrying amounts of $15.1 million and $11.2 million, and estimated fair values of $14.7 million and $10.8 million at December 31, 1998 and 1997, respectively. There are no long-term investments for which it is not practicable to estimate fair value at December 31, 1998 and 1997.

LONG-TERM DEBT

The estimated fair value of Columbia's debentures, including accrued interest, is based on estimates provided by brokers. Long-term debt of $2,012.9 million and $2,012.9 million at December 31, 1998 and 1997, have estimated fair values of $2,088.1 million and $2,051.6 million, respectively.

13. OTHER COMMITMENTS AND CONTINGENCIES

A. EMERGENCE FROM CHAPTER 11 OF THE BANKRUPTCY CODE. On November 28, 1995, Columbia and its wholly owned subsidiary, Columbia Transmission emerged from Chapter 11 protection of the Federal Bankruptcy Code under the jurisdiction of the United States Bankruptcy Court for the District of Delaware (Bankruptcy Court). Both Columbia and Columbia Transmission had operated under Chapter 11 protection since July 31, 1991. In settlement of its prepetition obligations, Columbia distributed approximately $3.6 billion to its creditors, which included $2.3 billion in payment of Columbia's prepetition debt and approximately $1 billion of interest on that debt. Certain residual unresolved bankruptcy-related matters are still within the jurisdiction of the Bankruptcy Court. The final resolution of these issues is not expected to have a significant impact on Columbia's consolidated financial results.

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B. CAPITAL EXPENDITURES. Capital expenditures for 1999 are currently estimated at $650 million. Of this amount, $237 million is for transmission and storage operations, $152 million for distribution operations, $104 million for exploration and production operations, $20 million for marketing operations, $129 million for propane, power generation and LNG operations and $8 million for corporate.

C. OTHER LEGAL PROCEEDINGS. In the normal course of its business, Columbia and its subsidiaries have been named as defendants in various legal proceedings. In the opinion of management, the ultimate disposition of these currently asserted claims will not have a material adverse impact on Columbia's consolidated financial position or results of operations.

D. ASSETS UNDER LIEN. Substantially all of Columbia Transmission's properties have been pledged to Columbia as security for debt owed by Columbia Transmission to Columbia.

Columbia Electric holds indirectly through various subsidiaries, both general and limited partnership interests in the following electric power generation projects:

Pedricktown Cogeneration Limited Partnership and Vineland Cogeneration Limited Partnership (the "Partnerships") own and operate project-financed non-utility power generation facilities in New Jersey. The assets of the Partnerships, including plant facilities and contract rights, have been pledged as collateral for loans to a bank syndicate in the case of Pedricktown, or to an indenture trustee for the benefit of certain bondholders in the case of Vineland.

Gregory Power Partners owns a 550 megawatt equivalent electric power generation plant that is currently under construction in Gregory, Texas. The assets and contract rights have been pledged as collateral for the construction loan.

Columbia Electric's investment in these partnerships, as of December 31, 1998, amounted to $18.6 million.

E. INTERNAL REVENUE SERVICE (IRS) AUDIT. The field audit of Columbia's 1995 federal income tax return has been finalized and discussions on all unagreed issues have begun. The audit of tax years 1996 and 1997 began in February, 1999. Management believes adequate reserves have been established for issues related to these returns.

F. OPERATING LEASES. Payments made in connection with operating leases are primarily charged to operation and maintenance expense as incurred. Such amounts were $63.8 million in 1998, $62.9 million in 1997 and $60.9 million in 1996.

Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year are:

($ in millions)

1999	35.5
2000	31.9
2001	28.1
2002	27.0
2003	26.6
After	187.4

G. PURCHASE COMMITMENTS. Columbia has service agreements that provide for pipeline capacity, transportation and storage services. These agreements which have expiration dates ranging from 2000 to 2017 provide for Columbia to pay fixed monthly charges. The estimated aggregate amounts of such payments at December 31, 1998, were:

($ in millions)

1999	60.0
2000	55.7
2001	42.5
2002	39.8

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2003	34.7
After	138.3

</TABLE>

Costs incurred under these contracts are recovered under Columbia's regulatory cost recovery mechanisms.

H. ENVIRONMENTAL MATTERS. Columbia's subsidiaries are subject to extensive federal, state and local laws and regulations relating to environmental matters. These laws and regulations, which are constantly changing, require expenditures for corrective action at various operating facilities, waste disposal sites and former gas manufacturing sites for conditions resulting from past practices that have subsequently become subject to environmental regulation.

Columbia's transmission subsidiaries have implemented programs to continually review compliance with existing environmental standards. In addition, the transmission subsidiaries continue to review past operational activities and to formulate remediation programs where necessary.

Columbia Transmission is currently conducting assessment, characterization and remediation activities at specific sites under a 1995 Environmental Protection Agency (EPA) Administrative Order by Consent (AOC). The program pursuant to the AOC covers approximately 240 facilities, approximately 15,000 liquid removal points, approximately 2,800 mercury measurement stations, and about 3,700 storage wells. As of December 31, 1998, field characterization has been performed at many of these sites, and site characterization reports and remediation plans are being prepared for submission to EPA for approval. Significant remediation has taken place only at mercury measurement stations. Only those site investigation, characterization and remediation costs currently known and determinable can be considered "probable and reasonably estimable" under Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies" (SFAS No. 5). As costs become probable and reasonably estimable, the associated reserves will be adjusted as appropriate. Columbia Transmission is unable, at this time, to accurately estimate the time frame and potential costs of the entire program. Management expects that as additional work is performed and more facts become available, it will be able to develop a probable and reasonable estimate for the entire program or a major portion thereof consistent with U.S. Securities and Exchange Commission's Staff Accounting Bulletin No. 92, SFAS No. 5, and American Institute of Certified Public Accountants Statement of Position 96-1.

As a result of 1998 activities, Columbia Transmission recorded an additional liability of $28.8 million. Actual expenditures of approximately $16 million during 1998 charged to the liability resulted in a remaining liability of $138.2 million. Columbia Transmission's environmental cash expenditures are expected to be approximately $18 million in 1999 and up to $20 million annually until the AOC is satisfied. These expenditures will be charged against the previously recorded liability. Consistent with Statement of Financial Accounting Standards No. 71, a regulatory asset has been recorded to the extent environmental expenditures are expected to be recovered through rates. Management does not believe that Columbia Transmission's environmental expenditures will have a material adverse effect on its operations, liquidity or financial position, based on known facts and existing laws and regulations and the long time period over which expenditures will be made.

In addition, predecessor companies of Columbia Transmission may have been involved in the operation of manufactured gas plants. When such plants were abandoned, material used and created in the process was sometimes buried at the site. As of the date of this report, Columbia Transmission is unable to determine if it will become liable for any characterization or remediation costs at such sites.

Distribution's primary environmental issues relate to 15 former manufactured gas plant sites. Investigations or remedial activities are currently underway at seven sites and have been completed at one site. Additional site investigations may be required at some of the remaining sites. To the extent Distribution's site investigations have been conducted, remediation plans developed and any responsibility for remediation action established, the appropriate liabilities have been recorded. Regulatory assets have also been recorded for a majority of these costs as rate recovery has been authorized or is anticipated.

The eventual total cost of full future environmental compliance for Columbia is difficult to estimate due to, among other things: (1) the possibility of as yet unknown contamination, (2) the possible effect of future legislation and new environmental agency rules, (3) the possibility of future litigation, (4) the possibility of future designations as a potential responsible party by the EPA and the difficulty of determining liability, if any, in proportion to other

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responsible parties, (5) possible insurance and rate recoveries, and (6) the effect of possible technological changes relating to future remediation. However, reserves have been established based on information currently available which resulted in a total recorded net liability of approximately $140.9 million for Columbia at December 31, 1998. As new issues are identified, additional liabilities will be recorded.

It is management's continued intent to address environmental issues in cooperation with regulatory authorities in such a manner as to achieve mutually acceptable compliance plans. However, there can be no assurance that fines and penalties will not be incurred. Management expects most environmental assessment and remediation costs to be recoverable through rates.

I. DISCUSSIONS WITH FERC. The transmission and storage subsidiaries are in confidential and informal discussions with the staff of the FERC concerning the scope of authorizations for certain past transactions under the relevant filed tariffs. The transmission and storage subsidiaries have initiated these discussions with the FERC. Because these discussions are in a very preliminary stage, management is unable to reasonably estimate the amount that will have to be paid pursuant to reimbursement or other remedies.

14. INTEREST INCOME AND OTHER, NET

Year Ended December 31, ($ in millions)	1998	1997	1996
Interest income	13.6	21.0	13.4
Miscellaneous	(0.2)	19.4	12.7
TOTAL INTEREST INCOME AND OTHER, NET	13.4	40.4	26.1

15. INTEREST EXPENSE AND RELATED CHARGES

Year Ended December 31, ($ in millions)	1998	1997	1996
Interest on debentures	140.4	140.4	140.4
Interest on short-term debt	10.9	8.1	11.7
Discount on prepayment transactions	7.8	0.1	--
Interest on rate refunds	2.3	3.4	3.9
Interest on prior years' taxes	(6.3)	9.1	8.3
Allowance for borrowed funds used and interest during construction	(2.7)	(3.5)	2.5
TOTAL INTEREST EXPENSE AND RELATED CHARGES	152.4	157.6	166.8

16. BUSINESS SEGMENT INFORMATION

Columbia is a registered holding company under the Public Utility Holding Company Act of 1935, as amended and derives substantially all of its revenues and earnings from the operating results of its 18 direct subsidiaries. Effective June 30, 1998, in accordance with generally accepted accounting principles, Columbia revised the presentation of its business segments. Columbia's operations are divided into five primary business segments. The transmission and storage segment offers transportation and storage services for local distribution companies, marketers and industrial and commercial customers located in northeastern, midatlantic, midwestern and southern states and the District of Columbia. The distribution segment provides natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky and Maryland. The exploration and production segment explores for, develops, produces and markets gas and oil in the United States and in Canada. The marketing segment provides gas and electricity supply, fuel management and transportation-related services to a diverse customer base including cogenerators, local distribution companies, industrial plants, commercial businesses, joint marketing partners and residential customers. The propane, power generation and LNG segment includes the sale of propane at wholesale and retail to customers in eight states, participation in natural gas fueled electric generation projects and peaking services.

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The following tables provide information concerning Columbia's major business segments. Revenues include intersegment sales to affiliated subsidiaries, which are eliminated when consolidated. Affiliated sales are recognized on the basis of prevailing market or regulated prices. Operating income is derived from revenues and expenses directly associated with each segment.

($ in millions)	1998	1997	1996
REVENUES			
Transmission and Storage			
Unaffiliated	523.0	505.7	450.4
Intersegment	315.7	332.9	354.6
TOTAL	838.7	838.6	805.0
Distribution			
Unaffiliated	1,843.3	2,283.6	2,120.4
Intersegment	26.2	12.7	7.3
TOTAL	1,869.5	2,296.3	2,127.7
Exploration and Production			
Unaffiliated	65.2	44.3	45.5
Intersegment	62.3	69.0	59.0
TOTAL	127.5	113.3	104.5
Marketing			
Unaffiliated	4,047.5	2,121.9	645.6
Intersegment	24.7	65.1	82.4
TOTAL	4,072.2	2,187.0	728.0
Propane, Power Generation and LNG			
Unaffiliated	89.2	98.3	91.7
Intersegment	0.5	2.1	2.5
TOTAL	89.7	100.4	94.2
Adjustments and eliminations			
Unaffiliated	--	(0.2)	0.4
Intersegment	(429.4)	(481.8)	(505.8)
TOTAL	(429.4)	(482.0)	(505.4)
CONSOLIDATED	6,568.2	5,053.6	3,354.0

($ in millions)	1998	1997	1996
OPERATING INCOME (LOSS)			
Transmission and Storage	326.1	258.3	206.2
Distribution	225.8	224.2	226.0
Exploration and Production	37.2	30.9	30.0
Marketing	(59.0)	(13.2)	4.5
Propane, Power Generation and LNG	10.7	16.3	9.6
Corporate	(0.8)	(7.1)	1.9
CONSOLIDATED	540.0	509.4	478.2
DEPRECIATION & DEPLETION			
Transmission and Storage	101.8	104.3	102.6
Distribution	82.2	78.2	74.4
Exploration and Production	36.5	27.6	28.8
Marketing	4.1	1.6	0.3
Propane, Power Generation and LNG	5.1	3.6	2.8
Corporate	5.0	5.5	5.7

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Adjustments and eliminations	0.5	0.5	0.6
CONSOLIDATED	235.2	221.3	215.2
ASSETS			
Transmission and Storage	2,837.6	2,775.4	2,774.3
Distribution	2,629.9	2,753.2	2,648.1
Exploration and Production	590.9	564.6	511.9
Marketing	778.7	509.4	205.7
Propane, Power Generation and LNG	193.0	155.7	133.5
Corporate	4,298.0	4,221.4	3,924.6
Adjustments and eliminations	(4,359.4)	(4,367.4)	(4,193.5)
CONSOLIDATED	6,968.7	6,612.3	6,004.6
CAPITAL EXPENDITURES			
Transmission and Storage	204.0	244.9	142.7
Distribution	151.9	159.5	148.4
Exploration and Production	75.7	158.7	12.1
Marketing	16.0	5.1	0.8
Propane, Power Generation and LNG	20.1	9.9	5.5
Corporate	11.0	5.3	5.3
Adjustments and eliminations	--	(23.1)	--
CONSOLIDATED	478.7	560.3	314.8

</TABLE>

17. QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly financial data does not always reveal the trend of Columbia's business operations due to nonrecurring items and seasonal weather patterns which affect earnings and related components of net revenues and operating income.

<TABLE>
<CAPTION>

($ in millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<S>	<C>	<C>	<C>	<C>
1998				
Net Revenues	622.5	385.6	350.2	538.8
Operating Income	254.2	70.9	54.1	160.8
Net Income	147.5(a)	22.8	11.2	87.7(b)
Per Share Amounts				
Earnings Per Share of Common Stock	1.77	0.27	0.13	1.05
Diluted Earnings Per Share of Common Stock	1.77	0.27	0.13	1.05
1997				
Net Revenues	628.1	407.1	331.3	549.0
Operating Income	256.6	84.3	29.7	138.8
Net Income	162.7(c)	34.9(d)	0.1	75.6(e)
Per Share Amounts				
Earnings Per Share of Common Stock	1.96	0.42	--	0.91
Diluted Earnings Per Share of Common Stock	1.96	0.42	--	0.90

</TABLE>

(a) Includes $8.7 million from the sale of base gas, $16.5 million gain on settlement of postretirement benefit costs and a $10 million benefit from state tax planning initiatives.

(b) Includes $10.6 million reduction on the marketing segment for a provision for amounts that presently do not have adequate third party documentation.

(c) Includes $12.8 million reduction in state income tax expense and $5.5 million gain on deactivation of a storage field.

(d) Includes $12.4 million from the sale of base gas.

(e) Includes the net income effect of $6.0 million for the sale of coal assets.

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18. EXPLORATION AND PRODUCTION ACTIVITIES (UNAUDITED)

During the first quarter of 1998, Columbia Energy Resources, Inc. (Columbia Resources) purchased wells and undeveloped property in Ontario, Canada. In June 1998, Columbia Resources further broadened its Canadian operations by entering into a joint venture with CanEnerco, Ltd. Under the terms of the agreement, Columbia Resources and CanEnerco, Ltd. will jointly develop drilling properties in southwestern Ontario, Canada.

On August 7, 1997, Columbia Resources acquired Alamco, Inc. (Alamco), a gas and oil production company operating in the Appalachian Basin. On April 30, 1996, Columbia sold Columbia Gas Development Corporation, its wholly owned southwest exploration and production subsidiary, effective December 31, 1995. The information contained in the following tables includes amounts attributable to the operations and reserves of Alamco from August 7, 1997.

Reserve information contained in the following tables for the U.S. and Canadian properties is management's estimate, which was reviewed by the independent consulting firms of Ryder Scott Company Petroleum Engineers for the U.S. reserves and Sproule Associates Limited for the Canadian reserves. Reserves are reported as net working interest. Gross revenues are reported after deduction of royalty interest payments.

RESERVE QUANTITY INFORMATION

Proved Reserves	United States Gas (Bcf)	United States Oil & Other Liquids (000 Bbls)	Canada Gas (Bcf)	Canada Oil & Other Liquids (000 Bbls)
Reserves as of December 31, 1995	599.5	1,651	--	--
Revisions of previous estimate	78.9	(169)	--	--
Extensions, discoveries and other additions	5.5	161	--	--
Production	(33.6)	(281)	--	--
Sale of reserves-in-place	(5.8)	(588)	--	--
Reserves as of December 31, 1996	644.5	774	--	--
Revisions of previous estimate	69.5	(139)	--	--
Extensions, discoveries and other additions	33.2	59	--	--
Production	(34.7)	(210)	--	--
Purchase of reserves-in-place(a)	88.0	1,216	--	--
Reserves as of December 31, 1997	800.5	1,700	--	--
Revisions of previous estimate	(23.1)	178	--	--
Extensions, discoveries and other additions	60.7	94	--	--
Production	(39.0)	(201)	(0.1)	(13.0)
Purchase of reserves-in-place	--	--	1.1	77.0
Sale of reserves-in-place	(9.6)	--	--	--
RESERVES AS OF DECEMBER 31, 1998	789.5	1,771	1.0	64.0
Proved developed reserves as of December 31,				
1996	518.3	730	--	--
1997	653.2	1,330	--	--
1998	586.2	1,436	1.0	64.0

(a) Includes the purchase of Alamco.

CAPITALIZED COSTS

($ in millions)	United States 1998	United States 1997	United States 1996	Canada 1998	Canada 1997	Canada 1996	Total 1998	Total 1997	Total 1996
CAPITALIZED COSTS AT YEAR END									
Proved properties	673.2	628.4	475.4	1.4	--	--	674.6	628.4	475.4
Unproved properties (a)	40.8	31.8	27.4	3.7	--	--	44.5	31.8	27.4

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Total capitalized costs	714.0	660.2	502.8	5.1	--	--	719.1	660.2	502.8
Accumulated depletion	(225.2)	(196.0)	(146.4)	(0.2)	--	--	(225.4)	(196.0)	(146.4)
NET CAPITALIZED COSTS	488.8	464.2	356.4	4.9	--	--	493.7	464.2	356.4
COSTS CAPITALIZED DURING YEAR (b)									
Acquisition properties									
Proved	--	--	--	0.7	--	--	0.7	--	--
Unproved	0.6	0.1	0.7	3.0	--	--	3.6	0.1	0.7
Exploration	2.3	1.0	2.7	--	--	--	2.3	1.0	2.7
Development	62.1	132.4	8.7	1.4	--	--	63.5	132.4	8.7
COSTS CAPITALIZED	65.0	133.5	12.1	5.1	--	--	70.1	133.5	12.1

</TABLE>

(a) Represents expenditures associated with properties on which evaluations have not been completed.

(b) Includes internal costs capitalized pursuant to the accounting policy described in Note 1(F) of Notes to Consolidated Financial Statements of $3.3 million in 1998, $1.4 million in 1997 and $0.9 million in 1996.

<TABLE>

OTHER EXPLORATION AND PRODUCTION DATA	United States			Canada		
	1998	1997	1996	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Average sales price per Mcf of gas ($)(a)	2.91	2.63	2.84	2.61	--	--
Average sales price per barrel of oil and other liquids ($)	12.53	17.99	19.07	16.42	--	--
Production (lifting) cost per dollar of gross revenue ($)	0.21	0.24	0.22	0.32	--	--
Depletion rate per dollar of gross revenue ($)	0.29	0.28	0.29	0.27	--	--

</TABLE>

(a) Includes the effect of hedging activities.

HISTORICAL RESULTS OF OPERATIONS

<TABLE>
<CAPTION>

	United States			Canada			Total		
($ in millions)	1998	1997	1996	1998	1997	1996	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Gross revenues									
Unaffiliated	53.7	27.4	43.1	0.6	--	--	54.3	27.4	43.1
Affiliated	62.3	69.0	58.8	--	--	--	62.3	69.0	58.8
Production costs	24.2	23.3	21.7	0.2	--	--	24.4	23.3	21.7
Depletion	33.5	26.6	28.8	0.2	--	--	33.7	26.6	28.8
Income tax expense	20.7	14.3	15.1	0.1	--	--	20.8	14.3	15.1
RESULTS OF OPERATIONS	37.6	32.2	36.3	0.1	--	--	37.7	32.2	36.3

</TABLE>

Results of operations for exploration and production activities exclude administrative and general costs, corporate overhead and interest expense. Income tax expense is expressed at statutory rates less Section 29 credits.

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS

<TABLE>
<CAPTION>

	United States			Canada			Total		
($ in millions)	1998	1997	1996	1998	1997	1996	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Future cash inflows	2,094.4	2,503.0	2,389.1	3.4	--	--	2,097.8	2,503.0	2,389.1
Future production costs	(585.5)	(719.9)	(715.5)	(1.5)	--	--	(587.0)	(719.9)	(715.5)
Future development costs	(200.4)	(182.7)	(165.8)	(0.1)	--	--	(200.5)	(182.7)	(165.8)

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Future income tax expense	(487.8)	(557.5)	(499.7)	(0.7)	--	--	(488.5)	(557.5)	(499.7)
Future net cash flows	820.7	1,042.9	1,008.1	1.1	--	--	821.8	1,042.9	1,008.1
Less: 10% discount	440.1	582.2	574.4	0.3	--	--	440.4	582.2	574.4
STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOW	380.6	460.7	433.7	0.8	--	--	381.4	460.7	433.7

</TABLE>

Future cash inflows are computed by applying year-end prices to estimated future production of proved gas and oil reserves. Future expenditures (based on year-end costs) represent those costs to be incurred in developing and producing the reserves. Discounted future net cash flows are derived by applying a 10% discount rate, as required by the Financial Accounting Standards Board, to the future net cash flows. This data is not intended to reflect the actual economic value of Columbia's gas and oil producing properties or the true present value of estimated future cash flows since many arbitrary assumptions are used. The data does provide a means of comparison among companies through the use of standardized measurement techniques.

A reconciliation of the components resulting in changes in the standardized measure of discounted cash flows attributable to proved gas and oil reserves for the three years ending December 31, follows:

<TABLE>
<CAPTION>

	United States			Canada			Total		
($ in millions)	1998	1997	1996	1998	1997	1996	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Beginning of year	460.7	433.7	316.0	--	--	--	460.7	433.7	316.0
Gas and oil sales, net of production costs	(91.9)	(73.1)	(80.2)	(0.4)	--	--	(92.3)	(73.1)	(80.2)
Net changes in prices and production costs	(108.5)	(107.8)	170.4	--	--	--	(108.5)	(107.8)	170.4
Change in future development costs	(10.0)	(16.9)	0.5	--	--	--	(10.0)	(16.9)	0.5
Extensions, discoveries and other additions, net of related costs	77.5	51.9	9.4	--	--	--	77.5	51.9	9.4
Revisions of previous estimates, net of related costs	(18.0)	64.0	90.1	--	--	--	(18.0)	64.0	90.1
Sales of reserves-in-place	(12.0)	(4.1)	(18.4)	--	--	--	(12.0)	(4.1)	(18.4)
Purchases of reserves-in-place	--	67.0	--	1.7	--	--	1.7	67.0	--
Accretion of discount	70.1	64.3	46.0	--	--	--	70.1	64.3	46.0
Net change in income taxes	21.1	(30.5)	(65.3)	(0.5)	--	--	20.6	(30.5)	(65.3)
Timing of production and other changes	(8.4)	12.2	(34.8)	--	--	--	(8.4)	12.2	(34.8)
END OF YEAR	380.6	460.7	433.7	0.8	--	--	381.4	460.7	433.7

</TABLE>

Schedule V

VALUATION AND QUALIFYING ACCOUNTS
Columbia Energy Group and Subsidiaries

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Year Ended December 31,
($ in millions)

<TABLE>
<CAPTION>

Description	Beginning Balance	Additions - Charged to Income	Additions - Charged to Other Accounts (a)	Deductions (b)	Ending Balance
<S>	<C>	<C>	<C>	<C>	<C>
Reserves deducted in the balance sheet from the assets to which they apply:					
Allowance for doubtful accounts					
1998	18.7	43.1	6.6	34.2	34.2
1997	16.2	29.8	19.8	47.1	18.7
1996	12.3	25.6	17.7	39.4	16.2

</TABLE>

(a) Primarily reflects reclassifications to a regulatory asset of the uncollectible accounts related to the Percent of Income Plan (PIP) of Columbia Gas of Ohio, Inc.

(b) Principally reflects amounts charged off as uncollectible less amounts recovered.

ITEM 9. CHANGE IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Certain information required by this item is contained in Columbia's Proxy Statement related to the 1999 Annual Meeting of Stockholders, to be filed pursuant to Section 14 of the Securities Exchange Act of 1934 and is incorporated herein by reference.

Information regarding Columbia's current executive officers, is as follows:

OLIVER G. RICHARD III, 46, Chairman, President and Chief Executive Officer of Columbia (since April 28, 1995). Chairman of New Jersey Resources Corporation from 1992 to 1995; President and Chief Executive Officer from 1991 to 1995. President and Chief Executive Officer of Northern Natural Gas Company from 1989 to 1991. Senior Vice President and subsequently Executive Vice President of Enron Gas Pipeline Group from 1987 to 1989. Vice President and General Counsel of Tenngasco, a subsidiary of Tenneco Corporation, from 1985 to 1987. Federal Energy Regulatory Commission Commissioner from 1982 to 1985.

PETER M. SCHWOLSKY, 52, Senior Vice President and Chief Legal Officer of Columbia and Columbia Energy Group Service Corporation since August 1995. Senior Vice President from June 1995 to August 1995. Executive Vice President, Law and Corporate Development, for New Jersey Resources Corporation from 1991 to 1995. Of counsel and then Partner with Steptoe & Johnson from 1986 to 1991.

MICHAEL W. O'DONNELL, 54, Senior Vice President and Chief Financial Officer of Columbia and Columbia Energy Group Service Corporation since October 1993. Senior Vice President and Assistant Chief Financial Officer of Columbia and Columbia Energy Group Service Corporation from 1989 to 1993.

CATHERINE GOOD ABBOTT, 48, Chief Executive Officer and President of Columbia Gas Transmission Corporation and Chief Executive Officer of Columbia Gulf Transmission Company since January 1996. Principal with Gem Energy Consulting, Inc. from 1995 to January 1996. Vice president for various business units of Enron Corporation from 1985 to 1995.

PATRICIA A. HAMMICK, 52, Senior Vice President for Strategy and Communications for Columbia since May 1998. Vice President of the Natural Gas Supply Association from 1983 through 1996. Manager, Energy Liason for the Gulf Oil Exploration and Production Company from 1979 to 1983.

ITEM 11. EXECUTIVE COMPENSATION

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Information required by this item is contained in Columbia's Proxy Statement related to the 1999 Annual Meeting of Stockholders, to be filed pursuant to Section 14 of the Securities Exchange Act of 1934 and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required by this item is contained in Columbia's Proxy Statement related to the 1999 Annual Meeting of Stockholders, to be filed pursuant to Section 14 of the Securities Exchange Act of 1934 and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required by this item is contained in Columbia's Proxy Statement related to the 1999 Annual Meeting of Stockholders, to be filed pursuant to Section 14 of the Securities Exchange Act of 1934 and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

Exhibits

Reference is made to pages 74 through 76 for the list of exhibits filed as part of this Annual Report on Form 10-K.

Pursuant to Item 601(b), paragraph (4)(iii)(A) of Regulation S-K, certain instruments representing long-term debt of Columbia or its subsidiaries have not been included as Exhibits because such debt does not exceed 10% of the total assets of Columbia and its subsidiaries on a consolidated basis. Columbia agrees to furnish a copy of any such instrument to the U.S. Securities and Exchange Commission upon request.

Financial Statement Schedules

All of the financial statements and financial statement schedules filed as a part of the Annual Report on Form 10-K are included in Item 8.

Reports on Form 8-K

A report on Form 8-K was filed on October 13, 1998, containing a Press Release issued that day announcing earnings for the three and nine months ended September 30, 1998.

Item Reported	Financial Statements Included	Date of Event	Date Filed
5	Yes	October 13, 1998	October 13, 1998

Undertaking made in Connection with 1933 Act Compliance on Form S-8

For purposes of complying with the amendments to the rules governing Form S-8 under the Securities Act of 1933, as amended (the Act), Columbia undertakes the following, which is incorporated by reference into the registration statements on Form S-8, Nos. 33-03869 (filed May 16, 1996) and 33-42776 (filed September 13, 1991):

Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the U.S. Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the questions whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COLUMBIA ENERGY GROUP
(Registrant)

Dated: March 26, 1999

By: /s/ Oliver G. Richard III

(Oliver G. Richard III)
Director (Principal
Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<TABLE>

<S>		<C>	
March 26, 1999	/s/ Oliver G. Richard III ---------------------------- Director (Principal Executive Officer)	March 26, 1999	/s/ J. Bennett Johnston ---------------------------- J. Bennett Johnston Director
March 26, 1999	/s/ Richard F. Albosta ---------------------------- Richard F. Albosta Director	March 26, 1999	/s/ Malcolm Jozoff ---------------------------- Malcolm Jozoff Director
March 26, 1999	/s/ Robert H. Beeby ---------------------------- Robert H. Beeby Director	March 26, 1999	/s/ William E. Lavery ---------------------------- William E. Lavery Director
March 26, 1999	/s/ Wilson K. Cadman ---------------------------- Wilson K. Cadman Director	March 26, 1999	/s/ Gerald E. Mayo ---------------------------- Gerald E. Mayo Director
March 26, 1999	/s/ Jeffrey W. Grossman ---------------------------- Jeffrey W. Grossman Vice President & Controller (Principal Accounting Officer)	March 26, 1999	/s/ Michael W. O'Donnell ---------------------------- Michael W. O'Donnell Senior Vice President (Chief Financial Officer)
March 26, 1999	/s/ James P. Heffernan ---------------------------- James P. Heffernan Director	March 26, 1999	/s/ Douglas E. Olesen ---------------------------- Douglas E. Olesen Director
March 26, 1999	/s/ Karen L. Hendricks ---------------------------- Karen L. Hendricks Director	March 26, 1999	/s/ William R. Wilson ---------------------------- William R. Wilson Director
March 26, 1999	/s/ Malcolm T. Hopkins ---------------------------- Malcolm T. Hopkins Director		

</TABLE>

EXHIBIT INDEX

Reference is made in the two right-hand columns below to those exhibits which have heretofore been filed with the U.S. Securities and Exchange Commission.

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Exhibits so referred to are incorporated herein by reference.

			Reference	
			File No.	Exhibit
3-A	-	Restated Certificate of Incorporation of The Columbia Gas System, Inc., dated as of November 28, 1995.	1-1098	3-A
3-B	-	By-Laws of The Columbia Gas System, Inc., as amended dated November 18, 1987.	1-1098	3-B
3-C	-	Certificate of Ownership and Merger, Merging Columbia Energy Group, Inc. into The Columbia Gas System, Inc.	1-1098	3-C
4-A	-	Indenture between The Columbia Gas System, Inc. and Marine Midland Bank, N.A. Trustee, dated as of November 28, 1995.	33-64555	4-S
4-B	-	First Supplemental Indenture, between The Columbia Gas System, Inc. and Marine Midland Bank, N.A. Trustee, dated as of November 28, 1995.	33-64555	4-T
4-C	-	Second Supplemental Indenture, between The Columbia Gas System, Inc., and Marine Midland Bank, N.A. Trustee, dated as of November 28, 1995.	33-64555	4-U
4-D	-	Third Supplemental Indenture, between The Columbia Gas System, Inc. and Marine Midland Bank, N.A. Trustee, dated as of November 28, 1995.	33-64555	4-V
4-E	-	Fourth Supplemental Indenture, between The Columbia Gas System, Inc. and Marine Midland Bank, N.A. Trustee, dated as of November 28, 1995.	33-64555	4-W
4-F	-	Fifth Supplemental Indenture, between The Columbia Gas System, Inc. and Marine Midland Bank, N.A. Trustee, dated as of November 28, 1995.	33-64555	4-X
4-G	-	Sixth Supplemental Indenture, between The Columbia Gas System, Inc. and Marine Midland Bank, N.A. Trustee, dated as of November 28, 1995.	33-64555	4-Y
4-H	-	Seventh Supplemental Indenture, between The Columbia Gas System, Inc. and Marine Midland Bank, N.A., Trustee, dated as of November 28, 1995.	33-64555	4-Z
4-I *	-	Instrument of Resignation, Appointment and Acceptance dated as of March 1, 1999, between Columbia Energy Group and Marine Midland Bank, as Resigning Trustee and The First National Bank of Chicago, as Successor Trustee		
10-P(a)	-	Pension Restoration Plan of The Columbia Gas System, Inc., amended October 9, 1991.	1-1098	10-P
10-Q(a)	-	Thrift Restoration Plan of The Columbia Gas System, Inc. dated January 1, 1989.	1-1098	10-Q
10-T	-	Agreement and Bridge Agreement dated December 1, 1993, between Columbia Gas Transmission Corporation and Consol Pennsylvania Coal Company.	1-1098	10-T
10-AE	-	U.S. Environmental Protection Agency Administrative Order by Consent for Removal Actions for Columbia Gas Transmission Corporation dated September 22, 1994.	1-1098	10-AE
10-AF	-	Amended and Restated Indenture of Mortgage and Deed of Trust by Columbia Gas Transmission Corporation to Wilmington Trust Company, dated as of November 28, 1995	1-1098	10-AF

(a) Executive Compensation arrangements filed pursuant to Item 14 of Form 10-K.

* Filed herewith.

EXHIBIT INDEX (continued)

			Reference	
			File No.	Exhibit
10-BB(a)	-	Annual Incentive Compensation Plan of The Columbia Gas System, Inc., dated November 16, 1988.	1-1098	10-BB
10-BC(a)	-	Employment Agreement between Oliver G. Richard III and The Columbia Gas System, Inc., dated March 15, 1995.	1-1098	10-BC
10-BE(a)	-	Employment Agreement between Peter M. Schwolsky and The Columbia Gas System, Inc., dated May 30, 1995.	1-1098	10-BE
10-BF(a)	-	Employment Agreement between Catherine Good Abbott and The Columbia Gas System, Inc., dated January 17, 1996.		
10-BU	-	Share Sale and Purchase Agreement between The Columbia Gas System, Inc. and Anderson Exploration	1-1098	10-BU

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		Ltd. dated November 25, 1991.		
10-BV	-	Security Agreement dated as of January 15, 1992, between The Columbia Gas System, Inc. and Anderson Exploration Ltd. and Montreal Trust Company of Canada.	1-1098	10-BV
10-BW	-	Kotaneelee Litigation Indemnity Agreement dated as of December 31, 1991, among The Columbia Gas System, Inc. and Columbia Gas Development of Canada Ltd. and Anderson Exploration Ltd.	1-1098	10-BW
10-BX	-	Specified Litigation Indemnity Agreement made as of December 31, 1991, among The Columbia Gas System, Inc. and Columbia Gas Development of Canada Ltd. and Anderson Exploration Ltd.	1-1098	10-BX
10-BY(a)	-	Columbia Gas Restoration Security Trust Agreement dated, June 1, 1991,with Dauphin Deposit Bank and Trust Company.	1-1098	10-BY
10-CA(a)	-	The Columbia Gas System, Inc. Retirement Plan for Outside Directors, as amended, August 21, 1991.	1-1098	10-CA
10-CB	-	Credit Agreement, dated as of November 28, 1995, among The Columbia Gas System, Inc., certain banks party thereto and Citibank, N.A.	1-1098	10-CB
10-CC	-	First Amendment and Supplement to Credit Agreement, dated December 6, 1995	1-1098	10-CC
10-CD	-	Credit Agreement for $450,000,000, dated March 11, 1998, among Columbia Energy Group and certain banks party thereto and Citibank, N.A. as Administrative and Syndication Agent.	1-1098	10-CD
10-CE	-	Credit Agreement for $900,000,000, dated March 11, 1998, among Columbia Energy Group and certain banks party thereto and Citibank, N.A. as Administrative and Syndication Agent.	1-1098	10-CE
10-CF	-	Memorandum of Understanding among the Millennium Pipeline Project partners (Columbia Transmission, West Coast Energy, MCN Investment Corp. and TransCanada Pipelines Limited) dated December 1, 1997.	1-1098	10-CF
10-CG *	-	Agreement of Limited Partnership of Millennium Pipeline Company, L.P. dated May 31, 1998.		
10-CH *	-	Contribution Agreement Between Columbia Gas Transmission Corporation and Millennium Pipeline Company, L.P. dated July 31, 1998		
10-CI *	-	Regulations of Millennium Pipeline Management Company, L.L.C. dated May 31, 1998		
10-CJ	-	Amended and Restated Agreement of Cove Point LNG Limited Partnership between Columbia LNG and PEPCO Energy Company, Inc. dated January 27, 1994.	1-1098	10-CJ

</TABLE>

(a) Executive Compensation arrangements filed pursuant to Item 14 of Form 10-K.

* Filed herewith.

EXHIBIT INDEX (continued)

<TABLE>
<CAPTION>

			Reference	
			File No.	Exhibit
<S>	<C>	<C>	<C>	<C>
10-CK *	-	Amended and Restated 364-Day Credit Agreement among Columbia Energy Group and certain banks party thereto and Citibank, N. A. as Administrative and Syndication Agent dated as of March 10, 1999.		
10-CM	-	Plan of Reorganization for Columbia Gas Transmission Corporation as filed with the United States Bankruptcy Court for the District of Delaware on January 18, 1994.	1-1098	10-CM
12 *	-	Statements of Ratio of Earnings to Fixed Charges		
21 *	-	Subsidiaries of Columbia Energy Group		
23-A *	-	Letter report, dated January 22, 1999, and the written consent to the filing and use of information contained in such letter report, Reports and Registration Statements filed during 1998, of Ryder Scott Company Petroleum Engineers, independent petroleum and natural gas consultants.		
23-B *	-	Written consent of Arthur Andersen LLP, independent public accountants, to the incorporation by reference of their report included in the 1998 Annual Report on Form 10-K of Columbia Energy Group and their report included in Columbia Energy Group's 1998 Annual Report to Shareholders in the registration statements on Form S-8 (File No. 33-03869), and Form S-8 (File No. 33-42776).		
23-C *	-	Letter report, dated February 2, 1999, and the written consent to the filing and use of information contained in such letter report, Reports and Registration Statements filed during 1998, of Sproule Associates Limited, independent petroleum and natural gas consultants.		
27 *	-	Financial Data Schedule for the period ended December 31, 1998.		

</TABLE>

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Exhibit 4I

COLUMBIA ENERGY GROUP
(FORMERLY NAMED "THE COLUMBIA GAS SYSTEM, INC.")

AND

MARINE MIDLAND BANK, AS RESIGNING TRUSTEE

AND

THE FIRST NATIONAL BANK OF CHICAGO, AS SUCCESSOR TRUSTEE

INSTRUMENT OF RESIGNATION, APPOINTMENT AND ACCEPTANCE

Dated as of March 1, 1999

COLUMBIA ENERGY GROUP
INSTRUMENT OF RESIGNATION, APPOINTMENT AND ACCEPTANCE
Dated as of March 1, 1999

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EXHIBIT A Form of Notice to Holders...1

PARTIES

THIS INSTRUMENT OF RESIGNATION, APPOINTMENT AND ACCEPTANCE, dated as of March 1, 1999 (herein "this Agreement") among COLUMBIA ENERGY GROUP, a Delaware corporation (formerly named "The Columbia Gas System, Inc. and hereinafter called the Company), MARINE MIDLAND BANK, a banking corporation and trust company organized and existing under the laws of the State of New York, as trustee under the Indenture referred to in the first recital hereof (hereinafter called the Trustee), and THE FIRST NATIONAL BANK OF CHICAGO, a national banking association (hereinafter called the Successor Trustee).

RECITALS

WHEREAS, the Company has heretofore executed and delivered to the Trustee its Indenture dated as of November 28, 1995 and seven Supplemental Indentures thereto, each dated as of November 28, 1995 (said Indenture being hereinafter called the Original Indenture, and the Original Indenture together with all indentures stated to be supplemental thereto, being hereinafter called the Indenture); and

WHEREAS, the Company has issued, and there are outstanding under the Indenture,
$310,876,000 in aggregate principal amount of 6.39% Debentures Due November 2000,
$281,530,000 in aggregate principal amount of 6.61% Debentures Due November 2002,
$281,530,000 in aggregate principal amount of 6.80% Debentures Due November 2005,
$281,530,000 in aggregate principal amount of 7.05% Debentures Due November 2007,
$281,530,000 in aggregate principal amount of 7.32% Debentures Due November 2010,
$281,530,000 in aggregate principal amount of 7.42% Debentures Due November 2015,
$281,530,000 in aggregate principal amount of 7.62% Debentures Due November 2025; and

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WHEREAS, the Trustee wishes to resign and the Company wishes to appoint the Successor Trustee as the Trustee's replacement; and

WHEREAS, pursuant to Section 6.08 of the Indenture, the Successor Trustee must deliver a written acceptance of its appointment to the Trustee and to the Company; and

WHEREAS, upon the terms of this Agreement, the Company is willing to take action to permit the succession of the Successor Trustee to the trusteeship under the Indenture; and

WHEREAS, each of the parties hereto confirms to the others that its execution and delivery of this Agreement and other necessary actions have been duly authorized by, or pursuant to authority granted by, its Board of Directors and have been duly approved to the extent required by law by the appropriate governmental authorities; and

WHEREAS, all acts and things necessary to make this Agreement, when executed and delivered by each of the parties, a valid, binding and legal agreement of such party have been done and performed.

NOW, THEREFORE, in consideration of the premises, and of other good and valuable consideration, the receipt whereof is hereby acknowledged, the parties hereby agree as follows:

ARTICLE I.

TRUSTEE SUCCESSION

Section 1.01 Resignation of Trustee. Pursuant to Section 6.08 of the Indenture, the Trustee hereby resigns as trustee under the Indenture, effective at the opening of business on March 1, 1999. The Company acknowledges receipt of the notice of resignation from the Trustee required under said Section 6.08. The Trustee covenants to and with the Company that all actions which have been and will be taken by the Trustee in connection with the succession of the trusteeship under the Indenture (including, without limitation, transfers of any funds or other property held in trust under the Indenture) have been and will be proper under the Indenture and fully protective of the respective interests of the Company and the holders of Securities issued and to be issued under the Indenture.

Section 1.02 Appointment of Successor Trustee. Pursuant to Section 6.08 of the Indenture, and in reliance upon the agreements and assurances of the Trustee and Successor Trustee contained in this Agreement, the Company hereby appoints the Successor Trustee as the new trustee under the Indenture. This appointment shall be effective upon the effectiveness of the resignation of the Trustee under the Indenture at the opening of business on March 1, 1999, and fully vests the Successor Trustee with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor in trust under the Indenture, with

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like effect as if originally named as trustee thereunder. The Successor Trustee shall mail to Securityholders notice (in the form of Exhibit A attached hereto) of such appointment in the manner provided in Section 6.08 of the Indenture.

Section 1.03 Acceptance and Assurances by Successor Trustee. The Successor Trustee hereby accepts appointment as Successor Trustee under the Indenture, and assumes all rights, powers, duties and obligations of the trustee under the Indenture. In connection therewith, the Successor Trustee confirms its eligibility and qualification under Section 6.10 of the Indenture. All funds or other property received by the Successor Trustee from the Trustee or the Company, either in the Successor Trustee's capacity as agent of the Trustee or by virtue of the Successor Trustee's acceptance of appointment hereunder and the conveyance made to it under Section 6.08 hereof, have been received and are held by the Successor Trustee in trust under the Indenture in full protection of the respective interests of the Company and the holders of Securities issued and to be issued under the Indenture.

Section 1.04 Confirmatory Assignment. In order more certainly to vest and confirm the same in the Successor Trustee, the Trustee by these presents does give, grant, bargain, sell, transfer, assign, convey and confirm unto the Successor Trustee all the estates, properties, rights, powers, trusts, duties and obligations of the Trustee as trustee under the Indenture, effective at the opening of business on March 1, 1999.

Section 1.05 Costs and Expenses. As between the Trustee and the Company, the Company hereby agrees to pay or reimburse the Trustee for payment of all reasonable termination costs and expenses relating to or arising out of the succession of the trusteeship under the Indenture, including, without limitation, reasonable legal fees and expenses, and expenses of giving required notice of, and documenting of, the succession, and any expenses incurred in the event of Securityholder action to appoint a trustee to replace the Successor

Trustee under Section 6.08 of the Indenture. Notwithstanding the foregoing, with respect to fees not related to and not arising out of the succession of the trusteeship under the Indenture, the Trustee's 1999 annual fee shall be pro rated up to and including the date of succession. The Successor Trustee's annual fee for 1999 will likewise be pro rated, commencing with the day after the succession.

Section 1.06 Y2K. Consistent with the recommendations of the Comptroller of the Currency, all financial institutions were required to have their year 2000 conversions and unit testing associated with such conversions completed by December 31, 1998, thereby allowing internal and external interface testing, including testing with customers, during 1999 to ensure that all systems are working properly and reliably. The Successor Trustee represents that it has completed unit testing for major systems which support the services being contemplated in this Agreement related to the year 2000 century date change. This effort is part of a vigorous and comprehensive project to inventory, assess, renovate or replace and test affected systems. The system(s) which support the service being offered in this Agreement are part of that effort.

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ARTICLE II.

MISCELLANEOUS PROVISIONS

Section 2.01 Definitions; Use of Terms in this Agreement. The use of terms and expressions herein is in accordance with the definitions and constructions contained in the Indenture.

Section 2.02 Effect of Table of Contents and Headings. The Table of Contents and headings of the different Articles and Sections of this Agreement are inserted for convenience of reference, and are not to be taken to be any part of those provisions, or to control or affect the meaning, construction or effect of the same.

Section 2.03 Trust Indenture Act to Control. If any provision of this Agreement limits, qualifies or conflicts with the duties imposed by any of Sections 310 to 317, inclusive, of the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990, through operation of Section 318(c), such imposed duties shall control.

Section 2.04 Counterparts. This Agreement may be executed in any number of counterparts and on separate counterparts, each of which shall be deemed an original; and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument, which shall for all purposes be sufficiently evidenced by any such original counterpart.

Section 2.05 Company Warranties and Representations. The Company hereby represents and warrants to the Successor Trustee that:

(a) This Agreement has been duly and validly authorized, executed, and delivered by the Company; and

(b) The Company is unaware of any "Event of Default" (as defined in Section 5.01 of the Indenture).

TESTIMONIUM

IN WITNESS WHEREOF, Columbia Energy Group has caused this Agreement to be executed in its corporate name by its Chairman of the Board or its President or one of its Vice Presidents or its Treasurer or one of its Assistant Treasurers, and its corporate seal to be hereunto affixed and to be attested by its Secretary or one of its Assistant Secretaries, and Marine Midland Bank has caused this Agreement to be executed in its corporate name and its corporate seal to be hereunto affixed by one of its Vice Presidents and to be attested by one of its Assistant Vice Presidents, and The First National Bank of Chicago has caused this Agreement to be executed in its corporate name and its corporate seal to be hereunto affixed by one of its Vice Presidents and to be attested by one of its Assistant Vice Presidents, all as of March 1, 1999.

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SIGNATURES

COLUMBIA ENERGY GROUP

Attest:________________________________ By:______________________________
Secretary

[CORPORATE SEAL]

MARINE MIDLAND BANK, as Trustee

Attest:________________________________ By:______________________________

[CORPORATE SEAL]

THE FIRST NATIONAL BANK OF CHICAGO, as Successor Trustee

Attest:________________________________ By:______________________________

[CORPORATE SEAL]

ACKNOWLEDGEMENTS

COMMONWEALTH OF VIRGINIA)
) ss:
CITY/COUNTY OF ______________)

On this _____ day of ____________________, ______, before me personally came ___________________, to me known, who, being by me duly sworn, did depose

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and say that he resides at ____; that he is ______________ of Columbia Energy Group, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

____
Notary Public

____
My commission expires

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

On the _____ day of ___________________, ______, before me personally came __________________, to me known, who, being by me duly sworn, did depose and say that he resides at ____; that he is _______________ of Marine Midland Bank, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

____
Notary Public

____
My commission expires

STATE OF _____________________)
) ss:
CITY/COUNTY OF ______________)

On the _____ day of ___________________, ______, before me personally came __________________, to me known, who, being by me duly sworn, did depose and say that he resides at ____; that he is _______________ of The First National Bank of Chicago, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so

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affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

____
Notary Public

____
My commission expires

10

EXHIBIT A

(Notice to Holders)

NOTICE TO THE HOLDERS OF

COLUMBIA ENERGY GROUP
(FORMERLY NAMED THE COLUMBIA GAS SYSTEM, INC.)
DEBENTURES DUE _________________
CUSIP #______
(THE "DEBENTURES")

NOTE: THIS NOTICE CONTAINS IMPORTANT INFORMATION THAT IS OF INTEREST TO THE BENEFICIAL OWNERS OF THE SUBJECT DEBENTURES. IF APPLICABLE, ALL DEPOSITORIES, CUSTODIANS AND OTHER INTERMEDIARIES RECEIVING THIS NOTICE ARE REQUESTED TO EXPEDITE RE-TRANSMITTAL TO SUCH BENEFICIAL OWNERS IN A TIMELY MANNER.

The First National Bank of Chicago ("First Chicago"), on behalf of Columbia Energy Group (formerly named The Columbia Gas System, Inc.) (the "Company"), hereby notifies holders of the Debentures of the resignation of Marine Midland Bank, as trustee (the "Resigning Trustee") under the Indenture dated as of November 28, 1995, as supplemented by seven Supplemental Indentures thereto dated as November 28, 1995 (collectively, the "Indenture") between the Company and the Resigning Trustee, under which Indenture the Debentures were issued.

The Company has appointed The First National Bank of Chicago as successor trustee (the "Successor Trustee") under the Indenture, whose corporate trust office is located at One First National Plaza, Suite 0126, Chicago, Illinois 60670-0126, which appointment has been accepted and became effective at the opening of business on March 1, 1999.

The Successor Trustee, on behalf of the Company, also hereby notifies holders of the Debentures of the resignation of the Resigning Trustee as Registrar and Paying Agent effective at the opening of business on March 1, 1999, and the simultaneous appointment of the Successor Trustee as Registrar and Paying Agent. Effective March 1, 1999, the address for the Registrar and Paying Agent will be:

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The First National Bank of Chicago
One First National Plaza
Suite 0126
Chicago, Illinois 60670-0126
Attn: Corporate Trust Services Division

The above-referenced CUSIP number is for convenience only and neither the Resigning Trustee, the Successor Trustee nor the Company shall be responsible for any error of any nature relating to the CUSIP number.

By: The First National Bank of Chicago,
as Successor Trustee

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Exhibit 10CG

AGREEMENT

OF

LIMITED PARTNERSHIP

OF

MILLENNIUM PIPELINE COMPANY, L.P.

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AGREEMENT OF LIMITED PARTNERSHIP
OF
MILLENNIUM PIPELINE COMPANY, L.P.

THIS AGREEMENT OF LIMITED PARTNERSHIP, dated effective as of May 31, 1998, by and among Millennium Pipeline Management Company, L.L.C., a Delaware limited liability company (the "General Partner"), and those Persons signatory hereto executing as "Limited Partners."

PREAMBLE

The General Partner and the Limited Partners have formed the Partnership (defined below) to construct and own an interstate natural gas transmission system (the "Millennium Pipeline System") extending from an interconnection with a natural gas transmission system to be owned and operated by TransCanada PipeLines Limited at the border between the United States and Canada in Lake Erie to a terminus in Westchester County, New York. The Partners (defined below) anticipate that the Millennium Pipeline System will be project financed and will be in service by the end of 2000.

ARTICLE 1

DEFINITIONS

1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below when capitalized:

(a) "AAA" shall have the meaning set forth in Section 12.03 hereof.

(b) "Abstaining Partner" means any Partner that has elected to

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abstain from voting on any matter to be voted on by the Partners.

(c) "Act" means the Delaware Revised Uniform Limited Partnership Act; Del. Code Ann. Title 6 Sections 17-101 to 17-1111, as amended from time to time.

UNITS IN MILLENNIUM PIPELINE COMPANY, L.P. HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED UNLESS SUBSEQUENTLY REGISTERED UNDER SUCH ACTS OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE. THIS AGREEMENT CONTAINS ADDITIONAL RESTRICTIONS ON SALES AND OTHER TRANSFERS OF UNITS.

(d) "Additional Capital Contributions" means Capital Contributions made by the Partners in excess of the Initial Capital Contributions or the Scheduled Capital Contributions.

(e) "Adjusted Capital Account Deficit" means, with respect to any Partner, the deficit balance, if any, in such Partner's Capital Account as of the end of the relevant Allocation Year, after giving effect to the following adjustments:

(i) Credit to such Capital Account any amounts which such Partner is deemed to be obligated to restore pursuant to the penultimate sentences in Sections 1.704-2(g)(1) and 1.704-2(i)(5) of the Treasury Regulations; and

(ii) Debit to such Capital Account the items described in Sections 1.704- 1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-1(b)(2)(ii)(d)(6) of the Treasury Regulations.

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations and shall be interpreted consistently therewith.

(f) "Affiliate" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls or is controlled by or is under common control with the Person. The terms "controls," "controlled by" and "under common control with" shall each mean the possession, directly or indirectly or through one or more intermediaries, of more than fifty percent (50%) of the outstanding voting stock of, or the power to direct or cause the direction of the management policies of any Person, whether through ownership of stock, as a general partner or trustee, by contract or otherwise.

(g) "Affiliate Transaction" means a business transaction between the

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Partnership and any Limited Partner or any Affiliate thereof; provided, however, that "Affiliate Transaction" shall not include the Project Agreements or any transaction between the Partnership and a Limited Partner or any Affiliate thereof for transportation of natural gas or other services offered by the Partnership relating to the Millennium Pipeline System.

(h) "Agreement" means this Agreement of Limited Partnership as originally executed or as amended, modified, supplemented or restated from time to time.

(i) "Allocation Year" means (i) the period commencing on the Effective Date and ending on December 31, 1998, (ii) any subsequent twelve (12) month period commencing on January 1 and ending on December 31 or (iii) any portion of the periods described in clauses (i) or (ii) for which the Partnership is required to allocate Profits, Losses and other items of Partnership income, gain, loss or deduction pursuant to Article 4 hereof.

(j) "Base Interest Rate" means a rate per annum equal to the lesser of (a) two percent (2%) plus the Prime Rate and (b) the maximum rate permitted by applicable law.

(k) "Budget" means the annual operating budget or any other budget for the Partnership approved by the General Partner.

(l) "Business Day" means any day other than a Saturday, Sunday or a holiday on which national banking associations in the State of New York are authorized to close.

(m) "Capacity Lease and Exchange Agreement" means that certain Capacity Lease and Exchange Agreement to be entered into between the Partnership and Columbia for the lease of capacity on the Millennium Pipeline System on terms approved by the General Partner as the same may be amended or modified from time to time.

(n) "Capital Account" means, with respect to any Partner, the Capital Account maintained for such Partner in accordance with the following provisions:

(i) To each Partner's Capital Account there shall be credited (A) such Partner's Capital Contributions, (B) that Partner's share of Profits and any items in the nature of income or gain which are specially allocated pursuant to Sections 4.01 and 4.03 hereof, and (C) the amount of any Partnership liabilities assumed by such Partner or which are secured by any Partnership Property distributed to such Partner; provided, however, that the principal amount of a

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promissory note which is not readily traded on an established securities market and which is contributed to the Partnership by the maker of the note (or a Partner related to the maker of the note within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(c)) shall not be included in the Capital Account of any Partner until the Partnership makes a taxable disposition of the note or until (and to the extent) principal payments are made on the note, all in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(d)(2);

(ii) To each Partner's Capital Account there shall be debited (A) the amount of money and the Gross Asset Value of any Partnership Property distributed to such Partner pursuant to any provision of this Agreement, (B) such Partner's share of Losses and any items in the nature of expenses or losses which are specially allocated pursuant to Sections 4.02 or 4.03 hereof and (C) the amount of any liabilities of such Partner assumed by the Partnership or which are secured by any Partnership Property contributed by such Partner to the Partnership;

(iii) In the event Units are transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor in the same proportion as the Units so transferred; and

(iv) In determining the amount of any liability for purposes of subparagraphs (i) and (ii) above, there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Treasury Regulations.

The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulations Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such Treasury Regulations. In the event the General Partner shall determine that it is prudent to modify the manner in which the Capital Accounts or any debits or credits thereto (including, without limitation, debits or credits relating to liabilities which are secured by contributed or distributed property or which are assumed by the Partnership or any Partner), are computed in order to comply with such Treasury Regulations, the General Partner may make such modification, provided that it is not likely to have a material effect on the amounts distributed to any Person pursuant to Article 10 hereof upon the dissolution of the Partnership. The General Partner also shall make (i) any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Partners and the amount of capital reflected on the Partnership's balance sheet, as computed for book purposes, in accordance with Treasury Regulations Section

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1.704-1(b)(2)(iv)(q), and (ii) any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Treasury Regulations Section 1.704-1(b).

(o) "Capital Contribution" means the total amount of money and/or the initial Gross Asset Value of any property (net of any liabilities assumed or taken subject to) actually contributed to the Partnership by all of the Partners or any class of Partners or any one Partner, as the context requires. A Limited Partner's Capital Contribution includes its Initial Capital Contribution plus the amount of any Scheduled Capital Contributions or Additional Capital Contributions paid by the Limited Partner.

(p) "Change in Control" means the Disposition of (i) a controlling interest in a Limited Partner to a Person that is not an Affiliate of the Limited Partner or Limited Partner Owner or (ii) a controlling interest in a Limited Partner Owner to a Person that is not an Affiliate of the Limited Partner Owner or the Limited Partner; provided, however, that Change in Control shall not include a Disposition of the interests of such Limited Partner Owner in the Millennium Pipeline System, held through the Limited Partner, which exceeds eighty percent (80%) of the value of such Limited Partner Owner. For purposes of this subsection 1.01(p)(ii), (A) a Disposition shall not include a mortgage, pledge, grant of a security interest or other disposition or encumbrance and (B) "controlling interest" shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies of a Person (whether through ownership of securities, partnership, limited liability company or other ownership interests by contract or otherwise).

(q) "Code" means the Internal Revenue Code of 1986, as amended, or any successor statute thereto.

(r) "Columbia" means Columbia Gas Transmission Corporation, a Delaware corporation.

(s) "Commitment Voting Date" means the date on which the General Partner makes the determination to commit the Partnership to purchase all or substantially all of the pipe necessary to construct the Millennium Pipeline System or otherwise to commit to commence construction of the Millennium Pipeline System, taking into consideration factors established by the General Partner from time to time.

(t) "Contribution Agreement" means that certain Contribution Agreement to be entered into between the Partnership and Columbia on terms and conditions approved by the General Partner pertaining to the contribution of assets by Columbia to the Partnership.

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(u) "Contribution Date" shall have the meaning set forth in subsection 3.03(c) hereof.

(v) "Credit Support Documents" means documents executed by an Affiliate of a Limited Partner or other Person acceptable to the General Partner whereby the Affiliate or such other Person provides credit support for the obligations of such Limited Partner under this Agreement.

(w) "Debt" means (i) any indebtedness for borrowed money or the deferred purchase price of property as evidenced by a note, bond or other instrument, (ii) obligations as lessee under capital leases, (iii) obligations secured by any mortgage, pledge, security interest, encumbrance, lien or charge of any kind existing on any asset owned or held by the Partnership whether or not the Partnership has assumed or become liable for the obligations secured thereby, (iv) any net obligation under any interest rate swap agreement, (v) accounts payable and (vi) obligations under direct or indirect guarantees of (including obligations (contingent or otherwise) to assure a creditor against loss in respect of) indebtedness or obligations of the kinds referred to in clauses (i), (ii), (iii), (iv) and (v), above, provided that Debt shall not include obligations in respect of any accounts payable that are incurred in the ordinary course of the Company's business and are either not delinquent or are being contested in good faith by appropriate proceedings.

(x) "Delinquent Partner" shall have the meaning set forth in Section 3.04 hereof.

(y) "Depreciation" means, for each Allocation Year, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such Allocation Year, except that, if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Allocation Year, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization or other cost recovery deduction for such Allocation Year bears to such beginning adjusted tax basis; provided, however, that if the adjusted basis for federal income tax purposes of an asset at the beginning of such Allocation Year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the General Partner.

(z) "Dispose," "Disposing" or "Disposition" shall each mean a sale, assignment, transfer, exchange, mortgage, pledge, grant of a security interest or other disposition or encumbrance (including without limitation, by operation of law).

(aa) "Dispute" shall have the meaning set forth in Section 12.01

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hereof.

(bb) "Effective Date" means the last to occur of (i) the date this Agreement is executed and adopted by all of the parties hereto and (ii) the date the Partnership's Certificate of Limited Partnership is filed with the Secretary of State of the State of Delaware.

(cc) "FERC" means the Federal Energy Regulatory Commission or any commission, agency or other governmental body succeeding to the power of such commission under the Natural Gas Act.

(dd) "General Interest Rate"means a rate per annum equal to the lesser of (i) one percent (1%) plus the Prime Rate and (ii) the maximum rate permitted by applicable law.

(ee) "General Partner" means Millennium Pipeline Management Company, L.L.C., a Delaware limited liability company. The term "General Partner" also includes any other Person who is duly admitted to the Partnership as an additional or substitute general partner.

(ff) "Gross Asset Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

(i) The initial Gross Asset Value of any asset contributed by a Partner to the Partnership shall be the gross fair market value of such asset as determined by the General Partner;

(ii) The Gross Asset Values of all Partnership assets shall be adjusted to equal their respective gross fair market values (taking Code Section 7701(g) into account on the date determined), as determined by the General Partner as of the following times: (A) the acquisition of an additional interest in the Partnership by any new or existing Partner in exchange for more than a de minimis Capital Contribution; (B) the distribution by the Partnership to a Partner of more than a de minimis amount of Partnership Property as consideration for an interest in the Partnership; provided that either or both adjustments described in clauses (A) and (B) of this paragraph shall be made only if the General Partner reasonably determine that such adjustment is necessary to reflect the relative economic interests of the Partners in the Partnership;

(iii) The Gross Asset Value of any item of Partnership assets distributed to any Partner shall be adjusted to equal the gross fair market value (taking Code Section 7701(g) into account) of such asset on the date of distribution as determined by the General Partner; and

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(iv) The Gross Asset Values of Partnership assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Sections 734(b) or 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m) and subparagraph (vi) of the definition of "Profits" and "Losses" or Section 4.02(c) hereof; provided, however, that Gross Asset Values shall not be adjusted pursuant to this subparagraph (iv) to the extent that an adjustment pursuant to subparagraph (ii) of this subsection (ff) is required in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph (iv).

If the Gross Asset Value of an asset has been determined or adjusted pursuant to subparagraph (ii) or (iv) above, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses.

(gg) "Initial Capital Contributions" means the amount in cash to be contributed to the capital of the Partnership pursuant to Articles 2 and 3 hereto by all the Partners, the Limited Partners, the General Partner, or any one Partner, as the context requires.

(hh) "In-Service Date" shall have the meaning set forth in subsection 7.03(c) hereof.

(ii) "Interest" means the entire ownership interest of a Partner in the Partnership at any particular time as a General Partner or a Limited Partner holding Units, including, but not limited to, the right of such Partner to any and all rights and benefits to which a Partner is entitled pursuant to the terms of this Agreement. The initial Interest of each Partner shall be as set forth on Exhibit A hereto. The Interest of each Partner shall be adjusted from time to time (i) based upon the Capital Contributions made by the Partners in accordance with Article 3 hereto, with the Interest of each Partner being equal to a fraction, the numerator of which is a Partner's cumulative Capital Contribution and the denominator of which is the cumulative total of all Partner's Capital Contributions; and (ii) upon the withdrawal of a Limited Partner, in which case the Interest of the Withdrawing Limited Partner shall, as of the Withdrawal Effective Date, be distributed pro rata among all of the non-withdrawing Partners in a portion equal to the ratio of (A) the pre-withdrawal Interest of such non-withdrawing Partner to (B) the sum of all pre-withdrawal Interests of all non-withdrawing Partners.

(jj) "Lake Crossing Agreement" means that certain Lake Crossing Agreement to be entered into between TransCanada PipeLines Limited or an Affiliate thereof and Columbia in its capacity as the project developer under the Project Development Agreement, on terms approved by the General Partner, relating to the construction of the segment of the Millennium Pipeline System which will pass under Lake Erie.

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(kk) "Limited Partner" means any Person who is admitted to the Partnership as a limited partner pursuant to the terms of this Agreement, including the Persons executing this Agreement as "Limited Partners."

(ll) "Limited Partner Owner" means the Person or Persons that own, of record or beneficially, all of the capital stock or equity interests in a Limited Partner.

(mm) "Liquidator" shall have the meaning set forth in Section 10.04 hereof.

(nn) "Losses" shall have the meaning set forth in Section 1.01(ddd) hereof.

(oo) "Millennium Pipeline System" shall have the meaning set forth in the Preamble to this Agreement.

(pp) "MOU" means that certain Memorandum of Understanding dated as of December 1, 1997, among Columbia, Westcoast Energy (U.S.), Inc., MCN Investment Corporation and TransCanada PipeLines Limited, as amended, modified and extended.

(qq) "Net Cash Flow" means the gross cash revenues of the Partnership less the portion thereof used to pay or establish working capital reserves for all Partnership expenses, debt payments, capital improvements, replacements and contingencies, all as determined by the General Partner; provided, however, that Net Cash Flow shall not be reduced by depreciation, amortization, cost recovery deductions or similar allowances, but shall be increased by any reductions of reserves previously established pursuant to the first clause of this definition.

(rr) "Nonrecourse Deductions" shall have the meaning set forth in Section 1.704- 2(b)(1) of the Treasury Regulations.

(ss) "Nonrecourse Liability" shall have the meaning set forth in Section 1.704- 2(b)(3) of the Treasury Regulations.

(tt) "O&M Agreement" means that certain Operations, Maintenance and Management Services Agreement to be entered into between the Partnership and Columbia on terms and conditions acceptable to the General Partner relating to the operation, maintenance and management of the Millennium Pipeline System.

(uu) "Partner Nonrecourse Debt" shall have the same meaning as the term "partner nonrecourse debt" set forth in Section 1.704-2(b)(4) of the Treasury Regulations.

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(vv) "Partner Nonrecourse Debt Minimum Gain" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt were treated as nonrecourse as determined in accordance with Section 1.704-2(i)(3) of the Treasury Regulations.

(ww) "Partner Nonrecourse Deductions" shall have the same meaning as the term "partner nonrecourse deductions" set forth in Sections 1.704-2(i)(1) and 1.704-2(i)(2) of the Treasury Regulations.

(xx) "Partners" means the General Partner and the Limited Partners who are admitted as partners in the Partnership, unless otherwise indicated.

(yy) "Partnership" means Millennium Pipeline Company, L.P., a Delaware limited partnership, as the Partnership may be constituted from time to time.

(zz) "Partnership Property" means all interests, properties and rights of any type, whether real, personal, tangible or intangible, owned by the Partnership.

(aaa) "Person" means a natural person, partnership (whether general or limited and whether domestic or foreign), trust, estate, association, corporation, custodian, nominee or any other individual or entity in its own or any representative capacity.

(bbb) "Precedent Agreements" means the Precedent Agreements entered into on behalf of the Partnership with proposed customers of the Partnership for the transmission of natural gas through the Millennium Pipeline System.

(ccc) "Prime Rate" means the fluctuating per annum rate of interest announced from time to time by Citibank, N.A. as its "Prime Rate."

(ddd) "Profits" and "Losses" mean, for each Allocation Year, an amount equal to the Partnership's taxable income or loss for such Allocation Year, determined in accordance with Code Section 703(a) (for purposes of such determination, all items of income, gain, loss or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments (without duplication):

(i) Any income of the Partnership exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this definition of "Profits" and "Losses" shall

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be added to such taxable income or loss;

(ii) Any expenditures of the Partnership described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(i) and not otherwise taken into account in computing Profits or Losses pursuant to this definition of "Profits" and "Losses" shall be subtracted from such taxable income or loss;

(iii) In the event the Gross Asset Value of any Partnership asset is adjusted pursuant to subparagraphs (ii) or (iii) of the definition of Gross Asset Value, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the Gross Asset Value of the asset) or an item of loss (if the adjustment

decreases the Gross Asset Value of the asset) from the disposition of such asset and shall be taken into account for purposes of computing Profits or Losses;

(iv) Gain or loss resulting from any Disposition of Partnership Property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the Partnership Property Disposed of, notwithstanding that the adjusted tax basis of such Partnership Property differs from its Gross Asset Value;

(v) In lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Allocation Year, computed in accordance with the definition of Depreciation;

(vi) To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) is required, pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Partner's Interest, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) from the disposition of such asset and shall be taken into account for purposes of computing Profits or Losses; and

(vii) Notwithstanding any other provision of this definition, any items which are specially allocated pursuant to Sections 4.02 or 4.03 hereof shall not be taken into account in computing Profits or Losses.

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The amounts of the items of Partnership income, gain, loss or deduction available to be specially allocated pursuant to Sections 4.02 and 4.03 hereof shall be determined by applying rules analogous to those set forth in subparagraphs (i) through (vi) above.

(eee) "Project Agreements" means the Capacity Lease and Exchange Agreement, the Contribution Agreement, the Lake Crossing Agreement, the O&M Agreement, the Project Development Agreement, and the Precedent Agreements, as the same may be amended and modified from time to time.

(fff) "Project Development Agreement" means that certain Project Development and Management Services Agreement to be entered into between the Partnership and Columbia on terms and conditions acceptable to the General Partner relating to the construction and development of the Millennium Pipeline System.

(ggg) "PUHCA" means the Public Utility Holding Company Act of 1935, as amended.

(hhh) "PUHCA Company" shall have the meaning set forth in Section 6.10 hereof.

(iii) "Regulatory Allocations" shall have the meaning set forth in Section 4.04 hereof.

(jjj) "Required Accounting Practices" means generally accepted accounting principles as practiced in the United States at the time prevailing for companies engaged in a business similar to the Partnership or, if inconsistent therewith, the accounting rules and regulations, if any, at the time prescribed by the regulatory body or bodies under the jurisdiction of which the Partnership is at the time operating.

(kkk) "Required Interest" means a majority of the Interests of Partners that are not Withdrawing Limited Partners or Abstaining Partners.

(lll) "Sale Notice" shall have the meaning set forth in subsection 6.05(a).

(mmm) "Scheduled Capital Contributions" shall have the meaning set forth in Section 3.03 hereto.

(nnn) "Substitute Limited Partner" means any Person admitted to the Partnership as a Limited Partner pursuant to the provisions of Section 6.04(c) hereof.

(ooo) "System Modification" shall mean any facilities to be

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installed or action to be taken costing in excess of One Million Dollars (US$1,000,000) to modify, improve, expand or increase the capacity of the Millennium Pipeline System or any portion thereof after the Commitment Voting Date (except in connection with customary maintenance and except for modifications which in the reasonable judgment of the General Partner (a) do not result in an expansion of the capacity or a change in the essential design of the Millennium Pipeline System or (b) are necessary to comply with applicable environmental or safety requirements).

(ppp) "Treasury Regulations" means the Income Tax Regulations, including Temporary Regulations, promulgated under the Code, as such regulations are issued, supplemented and amended from time to time.

(qqq) "UCC" means the Uniform Commercial Code of the State of Delaware, as amended from time to time.

(rrr) "Unanimous Consent" means the consent of all Partners holding an Interest in the Partnership who are not Withdrawing Limited Partners or Abstaining Partners.

(sss) "Unit" means any one of the general or limited partnership interests issued in the following classes:

(i) Limited Partner Units -- Nine thousand nine hundred (9,900) Units each issued in exchange for an Initial Capital Contribution as set forth in Section 2.08(b) hereof, each representing a 0.01% interest in the Partnership for an aggregate Partnership interest for all Limited Partner Units of ninety-nine percent (99%);

(ii) General Partner Units -- One hundred (100) General Partner Units issued in exchange for the General Partner's Capital Contribution as set forth in Section 2.08(c) hereof, each representing a 0.01% interest in the Partnership for an aggregate Partnership interest for all General Partner Units of one percent (1%).

(ttt) "Withdrawal Effective Date" shall have the meaning set forth in subsection 7.03(a) hereof.

(uuu) "Withdrawal Notice" shall have the meaning set forth in Section 7.03(a) hereof.

(vvv) "Withdrawal Period" shall have the meaning set forth in Section 7.04 hereof.

(www) "Withdrawing Limited Partner" shall have the meaning set forth

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in Section 7.03(a) hereof.

Additional terms defined in other sections of this Agreement have the meanings given them in such sections throughout this Agreement.

1.02 Construction. The headings in this Agreement are inserted for convenience of reference only and shall not affect interpretation of this Agreement. Whenever the context requires, each term stated in either the singular or the plural shall include the singular and the plural, and the gender of all words used in this Agreement includes the masculine, the feminine and the neuter. Except as otherwise noted, references to Articles and Sections refer to articles and sections of this Agreement, and all references to Exhibits are to exhibits attached hereto, each of which is made a part hereof for all purposes. Use of the word "including" shall mean without limitation by reason of enumeration.

ARTICLE 2

ORGANIZATION

2.01 Formation. For and in consideration of the agreements contained herein, the parties hereto agree to form and do hereby form a limited partnership under the Act. The rights, duties and liabilities of the Partners shall be as provided in the Act, except as otherwise provided herein.

2.02 Name. The name of the Partnership shall be "Millennium Pipeline Company, L.P.," or such other name or names as the General Partner may from time to time deem necessary, appropriate or advisable.

2.03 Registered Agent and Registered Office. The initial registered agent of the Partnership in the State of Delaware shall be The Corporation Trust Company and the initial registered office of the Partnership shall be located at 1209 Orange, Wilmington, Delaware 19801. The General Partner may from time to time change the registered agent or registered office of the Partnership, or both. The General Partner shall promptly notify all other Partners of any change in the registered office or registered agent of the Partnership.

2.04 Location of Principal Place of Business. The principal place of business of the Partnership shall be 12801 Fair Lakes Parkway, Fairfax, Virginia 22030, or such other place as the General Partner may from time to time designate in writing to the Limited Partners. The Partnership may maintain such other offices at such other places as the General Partner deems advisable.

2.05 Business and Purpose. The business and purpose of the Partnership shall be to design, develop, construct, own and operate a natural gas transmission system extending from an interconnection with a natural gas transmission system to be owned and operated by TransCanada PipeLines Limited at

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the border between the United States and Canada in Lake Erie to a terminus in Westchester County, New York, and to engage in any other business or activity that now or hereafter may be necessary, incidental, proper, advisable or convenient to accomplish the foregoing purpose that is not forbidden by the law of the jurisdiction in which the Partnership engages in that business. The business and purpose of the Partnership shall additionally encompass any activities contemplated by the rights and powers of the General Partner described in this Agreement to the extent not specifically set forth in this Section 2.05.

2.06 Term. The Partnership's existence shall commence on the Effective Date and shall continue until the Partnership terminates pursuant to Article 10 hereof, following dissolution.

2.07 Filing of Certificates. The General Partner shall execute, file and publish all such certificates, notices, statements or other instruments required by law for the formation or operation of a limited partnership in all jurisdictions where the Partnership may propose to do business. The General Partner may amend the Certificate of Limited Partnership from time to time for any proper purpose.

2.08 General and Original Limited Partners' Units and Interests.

(a) The General Partner has accepted Capital Contributions from the Limited Partners consisting of the total amount of money and/or property as set forth on Exhibit A hereto.

(b) The original Limited Partners and the respective Units, Interest and the Initial Capital Contribution of each Limited Partner shall be as set forth on Exhibit A hereto.

(c) Millennium Pipeline Management Company, L.L.C., shall be the initial sole General Partner and shall make the Initial Capital Contribution set out on Exhibit A hereto. The General Partner shall receive in exchange for such Initial Capital Contribution one hundred (100) General Partner Units representing an aggregate Interest in the Partnership of one percent (1%).

(d) All Units in the aggregate shall have a one hundred percent (100%) interest in the Partnership.

2.09 Additional Limited Partners. A Person other than the original Limited Partners shall become a Limited Partner only if (a) such Person executes and delivers to the General Partner an amendment to this Partnership Agreement together with any other documentation that may be required of a prospective Limited Partner by the General Partner, including, without limitation, Credit Support Documents and (b) such amendment to this Partnership Agreement is

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executed and accepted by the General Partner.

2.10 Organization Certificates. Upon the request of the General Partner, each Limited Partner agrees to execute and deliver from time to time all certificates and other documents deemed necessary by the General Partner to accomplish all filing, recording, publishing and other acts appropriate to comply with all requirements for the formation, qualification and operation of (a) a limited partnership under the Act and (b) a limited partnership, or a partnership in which the limited partners have limited liability, in all other jurisdictions where the Partnership shall propose to conduct business.

2.11 Power of Attorney.

(a) Each Limited Partner hereby irrevocably designates and appoints the General Partner, its successors and assigns, each with full power of substitution, his agent and attorney-in-fact in his name, place and stead to (i) do any acts necessary to qualify the Partnership to do business under the laws of any jurisdiction in which it is necessary or advisable to file any instrument in writing in connection with such qualification and (ii) consent to, make, execute, swear to and acknowledge, amend, file, record, deliver and publish: (1) any certificate of limited partnership or amended certificate of limited partnership under the Act and any other certificates, either original or amended, required or permitted to be filed or recorded under statutes relating to limited partnerships under the laws of any jurisdiction in which the Partnership shall engage or seek to engage in business; (2) a counterpart of or amendment to this Agreement for the purpose of substituting as a Limited Partner an assignee or successor to all or any portion of a Limited Partner's Interest pursuant to this Agreement; (3) a counterpart of this Agreement or of any amendment hereto for the purpose of filing or recording such counterpart in any jurisdiction in which the Partnership may own property or transact business; (4) all certificates and other instruments necessary to qualify or continue the Partnership as a limited partnership or partnership wherein the Limited Partners have limited liability in any jurisdiction where the Partnership may own property or be doing business; (5) any fictitious or assumed name certificate required or permitted to

be filed by or on behalf of the Partnership; (6) any other instrument which is now or which may hereafter be required by law to be filed for or on behalf of the Partnership or its Partners with respect to Partnership business; (7) certificates or other instruments evidencing the dissolution or termination of the Partnership when such shall be appropriate in each jurisdiction in which the Partnership shall own property or do business; (8) any amendment to this Agreement adopted pursuant to the applicable provisions of this Agreement; and (9) a counterpart of or amendment to this Agreement for the purpose of admitting or removing a Person as a Partner pursuant to this Agreement (including, but not limited to, the

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provisions of Section 6.04 hereof).

(b) Each Limited Partner hereby agrees to execute and deliver to the General Partner within ten (10) days after receipt of a written request therefor such other and further statements of interest and holdings, designations, powers of attorney and other instruments as the General Partner deems necessary or advisable to conduct the business of the Partnership. The power of attorney granted herein is hereby declared irrevocable and a power coupled with an interest, and shall (i) survive the bankruptcy, disability or death of a Limited Partner, if an individual, or the bankruptcy, dissolution or other termination of a Limited Partner, if a corporation, trust, partnership or unincorporated association, and (ii) extend to and be binding upon such Limited Partner's legal representatives, heirs, successors and assigns. Each Limited Partner hereby agrees to be bound by any representations made by the General Partner acting pursuant to such power of attorney, and each Limited Partner hereby waives any and all defenses which may be available to contest, negate or disaffirm any action of the General Partner except in cases of willful misconduct.

ARTICLE 3

CAPITALIZATION AND FINANCING

3.01 Commencement of Operations. The Partnership shall commence operations on the Effective Date.

3.02 Initial Capital Contributions. The Initial Capital Contributions of the Partners shall be as set forth on Exhibit A attached hereto, which shall include amounts contributed by the Limited Partners or their Affiliates for the development of the Millennium Pipeline System pursuant to the terms of the MOU.

3.03 Scheduled and Additional Capital Contributions.

(a) The Partners agree to contribute to the Partnership, upon the request of the General Partner, the capital determined to be necessary from time to time by the General Partner to fund expenditures approved in any Budget (the "Scheduled Capital Contributions"). It is expressly acknowledged and agreed by the Partners that Columbia will be contributing certain assets to the Partnership as part of its Scheduled Capital Contributions, the value of which shall be determined by the General Partner. In addition,

the General Partner may request Additional Capital Contributions that, in the judgment of the General Partner, are necessary to enable the Partnership to cause the assets of the Partnership to be properly

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developed, operated and maintained and to discharge its costs, expenses, obligations and liabilities. Additional Capital Contributions may be requested from time to time and at any time during the term of the Partnership in such amounts as estimated in good faith by the General Partner.

(b) Additional Capital Contributions may be requested by the General Partner in one or more requests. Each Limited Partner shall cause payment for each respective Additional Capital Contribution to be actually received in hand, in cash, by the General Partner within twenty (20) days after the notice of the Additional Capital Contribution is deemed to have been given to the Limited Partner in accordance with Section 13.02 hereof.

(c) Each request for a Scheduled Capital Contribution or an Additional Capital Contribution shall specify the Limited Partner's proportionate share of the amount required, a summary of the intended use of the proceeds and the date such Scheduled Capital Contribution or Additional Contribution is due (the "Contribution Date").

3.04 Failure to Contribute. If a Limited Partner fails to contribute all or any portion of a Capital Contribution that the Limited Partner is required to make by the Contribution Date as provided in this Agreement (becoming a "Delinquent Partner") and such failure continues for sixty (60) days from the date such Capital Contribution is scheduled to be made, then the Delinquent Partner shall be deemed to be a Withdrawing Limited Partner pursuant to Section 7.03 hereof, effective as of the end of such sixty (60) day period; provided, however, a Delinquent Partner shall not be entitled to (i) a return of any Capital Contribution (and shall forfeit the same) and (ii) the indemnification provided pursuant to Section 7.04 hereof. Throughout any period during which a Limited Partner is a Delinquent Partner, the delinquent Capital Contribution, or any delinquent portion thereof, shall bear interest at a rate per annum equal to the lesser of (x) the sum of the Prime Rate plus five percent (5%) and (y) the maximum rate permitted by applicable law from the Contribution Date until the date the Capital Contribution is received by the Partnership.

3.05 Partnership Borrowing.

(a) The General Partner may cause the Partnership to borrow money from time to time, from third parties or from the General Partner, and may mortgage or pledge Partnership Property to obtain and secure the repayment of such loans. The proceeds of Partnership loans may be used for any Partnership purpose, including the payment of the costs and expenses related to expenses of the Partnership, to refinance Partnership indebtedness, or to pay costs that would have otherwise been paid by Capital Contributions. The General Partner may cause the Partnership to mortgage or pledge Partnership Properties to secure loans the proceeds of which will be applied to benefit Partnership Properties.

(b) The General Partner may cause the Partnership to borrow from third parties or the General Partner. The General Partner is not, however, obligated to lend funds to the

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Partnership. If the General Partner loans money to the Partnership, it will receive interest at the Base Interest Rate. The General Partner may secure loans made by it to the Partnership by mortgages or pledges of Partnership Property. Loans by the General Partner to the Partnership shall be treated as indebtedness to a non-Partner lender and will be payable prior to any distributions to the Limited Partners.

3.06 Additional Financing. No Limited Partner shall be required to make any contribution to the capital of the Partnership other than (a) its Initial Capital Contribution, (b) its Scheduled Capital Contributions, (c) its share of Additional Capital Contributions and (d) any amounts required to be paid to or for the benefit of the Partnership pursuant to Section 13.01 hereof. This provision shall not be deemed a limitation, however, on the General Partner's right to cause the Partnership to borrow or to retain, use or pledge so much of the undistributed revenues and other assets of the Partnership as in its opinion may be required to provide for the Partnership's anticipated future cash needs (including contingencies), or to repay amounts borrowed.

3.07 Revenues. Any or all revenues received by the Partnership may be accumulated and retained in the Partnership for any Partnership purpose including, but not limited to, the costs of partnership expenses or the repayment of borrowing by the Partnership. The extent to which the Partnership accumulates or expends its revenues will be determined in the sole discretion of the General Partner.

3.08 Partnership Capital.

(a) No interest shall be paid by the Partnership on any Capital Contributions or Capital Account balances, except as may be specifically provided in this Agreement.

(b) No Partner shall have the right to withdraw any part of its Capital Contribution or Capital Account, or to receive any return of any portion of its Capital Contribution or its Capital Account, except as may be specifically provided in this Agreement.

(c) Under circumstances involving a return of any Capital Contribution, no Partner shall have the right to receive property other than cash, except as may be specifically provided in this Agreement.

(d) Loans from any Partner to the Partnership shall not be considered Capital Contributions.

(e) A Partner shall not be required to contribute or to lend any cash or property to the Partnership to enable the Partnership to return any Partner's Capital Contributions.

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3.09 Advances by Partners. If the Partnership does not have sufficient cash to pay its obligations, any Partner(s) that may agree to do so may advance all or part of the needed funds to or on behalf of the Partnership (provided the Partner has made its Capital Contribution). An advance

described in this Section 3.09 constitutes a loan from the Partner to the Partnership, bears interest at the General Interest Rate from the date of the advance until the date of payment and is not a Capital Contribution. Approval of the terms of any loan to the Partnership by a Partner shall be determined by majority vote of all Limited Partners that are not lenders in the transaction under consideration plus the approval of the General Partner.

3.10 Capital Accounts. Each Partner shall have a capital account with a balance maintained in accordance with the definition of "Capital Account" in Section 1.01(k) hereof.

3.11 Capital Contributions for System Modifications. No Partner shall have any obligation to make Additional Capital Contributions requested for the purpose of funding the costs of a System Modification unless the Partner has voted in favor of such System Modification. It is the intent of the Partners that the Partners' Interests shall be adjusted to reflect the Interest of each Partner immediately after Additional Capital Contributions are made relating to the costs of any System Modifications. A Partner that votes against a System Modification shall not be permitted to make Capital Contributions for such System Modification unless the Partners voting in favor of the System Modification unanimously consent to such contribution.

ARTICLE 4

ALLOCATIONS AND DISTRIBUTIONS

4.01 Profits. After giving effect to the special allocations set forth in Sections 4.03 and 4.04 hereof, Profits for any Allocation Year shall be allocated as follows:

(a) First, to each Partner in an amount equal to the excess, if any, of (i) the cumulative Losses allocated to such Partner pursuant to Section 4.02(a) hereof for all prior Allocation Years, over (ii) the cumulative Profits allocated to the Partners pursuant to this Section 4.01(a) for all prior Allocation Years; and

(b) The balance, if any, to the Partners in proportion to their interests.

All revenues used to repay any principal, interest or other amounts owing with respect to Partnership borrowings or indebtedness shall be allocated to the

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Partners in the same proportions that the costs paid with the proceeds of such borrowings or indebtedness were allocated to the Partners and, with respect to any indebtedness to which any property acquired by the Partnership was subject at the time of its acquisition, in the same proportions as the costs of acquisition of such property were allocated.

4.02 Losses. After giving effect to the special allocations set forth in Sections 4.03 and 4.04 hereof, Losses for any Allocation Year shall be allocated as follows:

(a) Among the Partners in proportion to their Interests, provided that Losses shall not be allocated pursuant to this Section 4.02(a) to the extent such allocation would cause

any Partner to have an Adjusted Capital Account Deficit at the end of such Allocation Year; and

(b) The balance, if any, to the General Partner.

4.03 Special Federal Income Tax Allocations. The following special allocations shall be made in the following order:

(a) Minimum Gain Chargeback. Except as otherwise provided in Section 1.704-2(f) of the Treasury Regulations, notwithstanding any other provisions of this Article 4, if there is a net decrease in Partnership Minimum Gain during any Allocation Year, each Partner shall be specially allocated items of Partnership income and gain for such Allocation Year (and, if necessary, subsequent Allocation Years) in an amount equal to such Partner's share of the net decrease in Partnership Minimum Gain, determined in accordance with Treasury Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Partner pursuant thereto. The items to be so allocated shall be determined in accordance with Sections 1.704-2(f) (6) and 1.704-2(j)(2) of the Treasury Regulations. This Section 4.03(a) is intended to comply with the minimum gain chargeback requirement in Section 1.704-2(f) of the Treasury Regulations and shall be interpreted consistently therewith.

(b) Partner Minimum Gain Chargeback. Except as otherwise provided in Section 1.704-2(i)(4) of the Treasury Regulations, notwithstanding any other provision of this Article 4, if there is a net decrease in Partner Nonrecourse Debt Minimum Gain attributable to a Partner Nonrecourse Debt during any Allocation Year, each Partner who has a share of the Partner Nonrecourse Debt Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Section 1.704-2(i)(5) of the Treasury Regulations, shall be specially allocated items of Partnership income and gain for such Allocation Year (and, if necessary, subsequent Allocation

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Years) in an amount equal to such Partner's share of the net decrease in Partner Nonrecourse Debt, determined in accordance with Treasury Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Partner pursuant thereto. The items to be so allocated shall be determined in accordance with Sections 1.704-2(i)(4) and 1.704-2(j)(2) of the Treasury Regulations. This Section 4.03(b) is intended to comply with the minimum gain chargeback requirement in Section 1.704-2(i)(4) of the Treasury Regulations and shall be interpreted consistently therewith.

(c) Qualified Income Offset. In the event any Partner unexpectedly receives any adjustments, allocations or distributions described in Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) or 1.704-1(b)(2)(ii)(d)(6) of the Treasury Regulations, items of Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the Adjusted Capital Account Deficit of the Partner as quickly as possible, provided that an

allocation pursuant to this Section 4.03(c) shall be made only if and to the extent that the Partner would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article 4 have been tentatively made as if this Section 4.03(c) were not in this Agreement.

(d) Nonrecourse Deductions. Nonrecourse Deductions for any Allocation Year shall be specially allocated to the Partners in proportion to their respective Units.

(e) Partner Nonrecourse Deductions. Any Partner Nonrecourse Deductions for any Allocation Year shall be specially allocated to the Partner(s) who bear the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulations Section 1.704-2(i)(1).

(f) Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Partnership asset, pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(2) or 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Partner in complete liquidation of such Partner's Interest, the amount of such adjustment to Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the Partners in accordance with their interests in the Partnership in the event Treasury Regulations Section

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1.704-1(b)(2)(iv)(m)(2) applies, or to the Partner to whom such distribution was made in the event Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

4.04 Curative Allocations. The allocations set forth in Sections 4.03(a), 4.03(b), 4.03(c), 4.03(d), 4.03(e), 4.03(f) and 4.05 hereof (the "Regulatory Allocations") are intended to comply with certain requirements of the Treasury Regulations. It is the intent of the Partners that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Partnership income, gain, loss or deduction pursuant to this Section 4.04. Therefore, notwithstanding any other provision of this Article 4 (other than the Regulatory Allocations), the General Partner shall make such offsetting special allocations of Partnership income, gain, loss or deduction in whatever manner it determines appropriate so that, after such offsetting allocations are made, each Partner's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Partner would have had if the Regulatory Allocations were not part of this Agreement and all Partnership items were allocated pursuant to Sections 4.01, 4.02 and 4.03(h) hereof.

4.05 Loss Limitation. Losses allocated pursuant to Section 4.02 hereof shall not exceed the maximum amount of Losses that can be allocated without causing any Partner to have an Adjusted Capital Account Deficit at the end of any Allocation Year. In the event some but not all of the Partners would have Adjusted Capital Account Deficits as a consequence of an allocation of Losses pursuant to Section 4.02 hereof, the limitation set forth in this Section 4.05 shall be applied on a Partner-by-Partner basis and Losses not allocable to any Partner as a result of such limitation

shall be allocated to the other Partners in accordance with the positive balances in such Partners' Capital Accounts so as to allocate the maximum permissible Losses to each Partner under Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations.

4.06 Other Allocation Rules.

(a) For purposes of determining the Profits, Losses or any other items allocable to any period, Profits, Losses and any such other items shall be determined on a daily, monthly or other basis, as determined by the General Partner using any permissible method under Code Section 706 and the Treasury Regulations thereunder.

(b) The Partners are aware of the income tax consequences of the allocations made by this Article 4 and hereby agree to be bound by the provisions of this Article 4 in reporting their shares of Partnership income and loss for income tax purposes.

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(c) Solely for purposes of determining a Partner's proportionate share of the "excess nonrecourse liabilities" of the Partnership within the meaning of the Treasury Regulations Section 1.752-3(a)(3), the Partners' interests in Partnership profits are in proportion to their Units.

To the extent permitted by Section 1.704-2(h)(3) of the Treasury Regulations, the General Partner shall endeavor to treat distributions of Net Cash Flow as having been made from the proceeds of a Nonrecourse Liability or a Partner Nonrecourse Debt only to the extent that such distributions would cause or increase an Adjusted Capital Account Deficit for any Partner.

4.07 Contributed Property; Tax Allocations.

(a) Code Section 704(c). In accordance with Code Section 704(c) and the Treasury Regulations thereunder, income, gain, loss and deduction with respect to any Property contributed to the capital of the Partnership shall, solely for tax purposes, be allocated among the Partners so as to take account of any variation between the adjusted basis of such Property to the Partnership for federal income tax purposes and its initial Gross Asset Value (computed in accordance with the definition of Gross Asset Value) using an acceptable allocation method pursuant to the Treasury Regulations under Section 704(c) as selected by the General Partner.

(b) In the event the Gross Asset Value of any Partnership asset is adjusted pursuant to subparagraph (ii) of the definition of Gross Asset Value, subsequent allocations of income, gain, loss and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under Code Section 704(c) and the Regulations thereunder.

(c) Any elections or other decisions relating to such allocations shall be made by the General Partner in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this Section 4.07 are solely for purposes of federal, state and local taxes and shall not affect, or in any way be taken into account in computing, any Partner's Capital Account or share of Profits, Losses, other items or distributions pursuant to any provision of this Agreement.

4.08 Distributions. The Partnership shall distribute cash to the Partners, as determined in the sole and exclusive discretion of the General Partner. No fees, salary, loans or other amounts paid to a Partner in connection with an arm's-length transaction shall be considered a distribution, including, without limitation, payments made pursuant to the Project Agreements. Distributions of cash or property in respect of an Interest shall be made only to a Partner who,

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according to the books and records of the Partnership, is the holder of such Interest in respect of which such distribution is made on the date of such distribution. The date for any distributions shall be determined by the General Partner in its sole discretion. Except as provided in Section 7.03 hereof, all distributions of cash or property (other than distributions in connection with the dissolution and liquidation of the Partnership) shall be allocated among the Partners in proportion to their Interests. Distributions among each class of Unit shall be proportional by Unit, except as provided in Section 7.03 hereof. Distributions in connection with the termination and liquidation of the Partnership shall be allocated among the Partners as provided in Section 10.04 hereof.

ARTICLE 5

RIGHTS AND DUTIES OF THE GENERAL PARTNER

5.01 Management. The Partnership shall be managed by the General Partner who shall have, subject to any restrictions imposed by applicable law or expressly imposed by this Agreement, full, complete and exclusive authority to (i) manage and control the business, affairs and properties of the Partnership, (ii) make all decisions regarding those matters and (iii) perform any and all other acts or activities customary or incident to the management of the Partnership's business. In addition to the powers now or hereafter granted the general partners of a limited partnership under the Act or that are granted the General Partner under any provision of this Agreement, but subject to the limitations described in Section 5.03 hereof and elsewhere in this Agreement, the General Partner shall have the power, for and on behalf and in the name of the Partnership, to carry out and implement the purpose of the Partnership set forth in Section 2.05 hereof and to do all things necessary or desirable or expedient in connection therewith or incidental thereto and to manage, conduct and supervise the day-to-day business affairs of the Partnership.

5.02 Reliance by Public.

(a) In order to expedite the handling of the Partnership's business and affairs, it is understood and agreed that any action taken or document delivered by the General Partner while acting in the name and on behalf of the Partnership shall be deemed to be the action of the Partnership as to any third parties (including all Limited Partners or their assignees as

third parties for such purpose). Any Person dealing with the Partnership or the General Partner shall be entitled to rely upon a certificate of the General Partner as to:

(i) the identity of the Partners;

(ii) the existence or nonexistence of any fact or facts that

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constitute conditions precedent to acts by the party delivering or receiving such certificate or which are in any other manner related to the affairs of the Partnership;

(iii) the Persons who are authorized to execute and deliver any instrument or document of the Partnership;

(iv) any act or failure to act by the Partnership; or

(v) any other matter whatsoever involving the Partnership or any Partner.

(b) Notwithstanding any other provision of this Agreement to the contrary, no Person shall be required to look to the application of proceeds hereunder or to verify any representation by the General Partner. Any such Person shall be entitled to rely exclusively on the representations of the General Partner as to its authority to enter into such financing or sale arrangements and shall be entitled to deal with the General Partner as if it were the sole party in interest therein, both legally and beneficially.

5.03 Restrictions on Authority of General Partner. Notwithstanding any other provision of this Agreement to the contrary, the General Partner shall not have the power or authority to, and shall not:

(a) cause the Partnership to make any loans to the General Partner or any of its Affiliates unless approved by Unanimous Consent;

(b) receive or cause any Affiliate to receive any brokerage commission or similar fee in connection with the sale or reinvestment of the proceeds of sale, exchange or refinancing of any Partnership Property, except as disclosed to the Partners and approved by Unanimous Consent;

(c) accept any rebates in connection with Partnership operations or expenditures other than those received for the account of the Partnership or as are approved by Unanimous Consent;

(d) sell, transfer or assign (other than collateral assignments and transfers which shall be governed by Section 3.05 hereof) all or any material portion of the assets of the Partnership unless approved by Unanimous Consent; or

(e) approve any System Modification without the approval of the Required Interest plus the approval of the General Partner.

5.04 Other Operations. The General Partner shall devote all of its time to the Partnership to carry on the Partnership's business.

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5.05 Disposition of All or Substantially All of Partnership Property. The General Partner shall be empowered to Dispose of all (being 80% or more of fair market value) of the Partnership's Property (including its goodwill) to any of its Affiliates or any other Person, and to receive for the Partnership consideration consisting of cash, securities, other property, assumption of Partnership debts, any other form of consideration or any combination thereof, as it deems to be in the best interests of the Limited Partners; provided, however, that no such Disposition shall be consummated unless prior Unanimous Consent is received. The consent of Limited Partners shall not be required for the General Partner to encumber or assign, as security for the payment of Partnership indebtedness or obligations, all or substantially all Partnership Property.

5.06 Contracts with the Partners or their Affiliates. The General Partner, in its sole and exclusive discretion, may cause the Partnership to enter into other contracts and arrangements with the Partners and its Affiliates for the rendering of services and the sale and lease of supplies and equipment; provided, however, that the compensation, price, or rental and other terms to the Partnership must be no less favorable to the Partnership, taken as a whole, than that generally available from unrelated third parties in the area who are engaged in the business of rendering comparable services or selling or leasing comparable equipment and supplies which could reasonably be made available to the Partnership. The Limited Partners, by their execution of this Agreement, acknowledge and consent to the Partnership entering into the Project Agreements. Employee expenses for all non-Columbia employees of the Partners or their Affiliates that are approved by the General Partner shall be recoverable at the rate of $400.00 per day plus all reasonable travel and travel related expenses of such employees that are for the benefit of the Partnership provided that they are submitted within forty-five (45) days of the end of the month in which the expenses were incurred.

5.07 Liabilities and Indemnification of the General Partner.

(a) THE GENERAL PARTNER AND ITS AFFILIATES SHALL NOT BE LIABLE TO THE PARTNERSHIP OR THE PARTNERS FOR ANY LOSS OR DAMAGE INCURRED BY THE PARTNERSHIP OR ANY PARTNER BY REASON OF ANY ACT OR OMISSION (WHETHER NEGLIGENT OR NOT) PERFORMED OR OMITTED BY THE GENERAL PARTNER OR ITS AFFILIATES IN GOOD FAITH AND IN A MANNER REASONABLY BELIEVED BY THE GENERAL PARTNER TO BE WITHIN THE SCOPE OF THE AUTHORITY GRANTED TO THE GENERAL PARTNER BY THIS AGREEMENT. THE PARTNERSHIP SHALL INDEMNIFY AND SAVE HARMLESS THE GENERAL PARTNER AND ITS AFFILIATES TO THE FULLEST EXTENT NOW OR HEREAFTER PERMITTED BY THE ACT.

(b) Legal expenses and other costs incurred by the General Partner and its Affiliates shall be reimbursed on a monthly basis by the Partnership in advance of the final disposition of claims for which the

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General Partner or its Affiliates may be entitled to be indemnified or held harmless, provided that each Person to whom reimbursement is to be made undertakes to repay funds so advanced if it is later determined by final, non-appealable judgment of a court of competent jurisdiction that such Person is not entitled to be indemnified or held harmless by the Partnership. The right of the General Partner and its Affiliates to be indemnified and held harmless under this Agreement shall continue after the General Partner ceases to be a Partner. All rights of the General Partner and its Affiliates under this Section 5.07 shall inure to their respective successors and assigns.

5.08 Title to Partnership Properties. Title to all Partnership Property shall be taken, held and recorded in the name of the Partnership.

5.09 Transfer of Interest of General Partner.

(a) The General Partner may assign its right or delegate its responsibility to manage the affairs of the Partnership as the General Partner deems reasonable and necessary, in its sole discretion. The General Partner may transfer its share of the profits and distributions from the Partnership without receiving the consent or approval of any Partner. The Limited Partners hereby consent and agree to the delegation of responsibilities of the General Partner pursuant to the Project Agreements as the General Partner deems reasonable and necessary in the sole discretion of the General Partner.

(b) The General Partner may assign all or any portion of its Interest to any General Partner admitted to the Partnership pursuant to Article 7 hereof.

(c) Notwithstanding the foregoing, nothing in this Agreement shall be deemed to prevent (and all Limited Partners hereby expressly consent to) the Disposition by the General Partner of its rights and Interest, and the delegation of all its obligations to the Partnership and the Partners to one or more Persons that have, as the result of a merger, consolidation, asset purchase, corporate reorganization or other transaction, acquired all or substantially all of the assets of the General Partner and have assumed the obligations of the General Partner hereunder.

5.10 Compensation.

(a) The General Partner shall be reimbursed by the Partnership for all pre-approved and budgeted expenses incurred for the direct benefit of the Partnership.

(b) Any amounts due to the General Partner by the Partnership pursuant to subsection (a) of this Section which are not paid to the General Partner within thirty (30) days after such payment was due as the result of the Partnership having insufficient funds to

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pay such costs and meet other anticipated operating expenses shall, after such thirty (30) day period, bear interest until paid at the Base Interest Rate.

ARTICLE 6

RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

6.01 Limitation of Liability. No Limited Partner shall be liable to the Partnership for the debts, liabilities, contracts or any other obligations of the Partnership, except to the extent of its Interest in the Partnership, and as provided herein.

6.02 Management of Business. No Limited Partner, in its capacity as a Limited Partner, shall take part in the operation, management, or control of the Partnership business, transact any business in the Partnership's name, or have the power to sign documents for or otherwise bind the Partnership.

6.03 Conflicts of Interest.

(a) The Limited Partners and their Affiliates agree not to participate in the development of or invest in, directly or indirectly as an equity participant, any other greenfield project or venture into the U.S. Northeast which, if developed, would offer natural gas transportation services in competition with the Millennium Pipeline System until December 31, 1998, unless a Partner discloses such interest in a potentially competing project and receives written consent to participate from all of the other Limited Partners. The Limited Partners and their Affiliates shall be free to pursue any complementary or non-competing ventures without the participation of any other Partner. The Limited Partners hereby agree that Columbia's service on its existing transmission system and Columbia's market expansion project authorized pursuant to FERC Docket No. CP96-213 will not be deemed as a violation of its covenant not to compete. The Limited Partners further acknowledge that Westcoast (or an Affiliate) is involved in the Maritimes and Northeast Pipeline Project, MCN (or an Affiliate) is involved in the Portland Natural Gas Transmission Project, and TransCanada (or an Affiliate) is involved in the TransMaritime Gas Transmission Project, Iroquois Gas Transmission and the Portland Natural Gas Transmission Project, as well as TransCanada PipeLines Limited "Canadian Mainline", and the Partners agree that participation or ownership in any of the aforementioned projects or pipelines, or any contemplated or future expansions thereof, will not be a violation of the covenant not to compete.

(b) From and after December 31, 1998 (or such other date as may be determined by Unanimous Consent), each Limited Partner and its Affiliates at any time and from time to time may engage in and possess interests in

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other business ventures of any and every type and description, independently or with others, including ones in competition with the Partnership, with no obligation to offer to the Company, any other Limited Partner or any of their Affiliates the right to participate therein. Neither the Partnership nor any of the other

Partners shall have any rights by virtue of this Agreement in and to such independent business ventures or to the income or profits derived therefrom.

(c) The Partnership shall not engage in any Affiliate Transaction unless (i) the terms of each Affiliate Transaction are no less favorable than those the Partnership could obtain from unrelated third parties and (ii) each Affiliate Transaction involving in excess of US$10,000 in the aggregate is approved by the General Partner.

6.04 Restrictions on Disposition of Limited Partner's Interest.

(a) Except as specifically provided in this Section 6.04, a Disposition of a Limited Partner's Interest in the Partnership may not be affected without the consent of a Required Interest and approval by the General Partner. Any attempted Disposition by a Limited Partner of its Interest or other right in the Partnership other than in accordance with this Section 6.04 shall be, and it hereby is, declared null and void ab initio. A Change in Control of a Limited Partner or a Limited Partner Owner shall be considered a Disposition of a Limited Partner's Interest.

(b) Notwithstanding the provisions of Section 6.04(a) hereof, the Interest of any Limited Partner may be Disposed of without the consent of the Required Interest and approval of the General Partner if (i) the Disposition is to an Affiliate and (ii) such Disposition does not violate any other provision of this Agreement.

(c) Subject to the provisions of Sections 6.04(d), (e), (f) and (g) hereof, (i) a Person to whom a Limited Partner's Interest in the Partnership is transferred has the right to be admitted to the Partnership as a substitute limited partner ("Substitute Limited Partner"), entitled to all the rights and benefits under this Agreement of the Limited Partner effecting such Disposition in proportion to the Interest so transferred to such Person if (A) the General Partner and the Limited Partner making such transfer grant the transferee the right to be so admitted, and (B) such transfer is consented to in accordance with Section 6.04(a) hereof; and (ii) an Affiliate under the circumstances described in Section 6.04(b) hereof has the right to be admitted to the Partnership as a Limited Partner with the Interest so transferred to the Affiliate.

(d) The Partnership may not recognize, for any purpose, any

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purported Disposition of all or part of a Limited Partner's Interest unless and until the other applicable provisions of this Section 6.04 have been satisfied, and the General Partner has received, on behalf of the Partnership, a document (i) executed by both the Limited Partner effecting the Disposition (or, if the Disposition is on account of the liquidation of the transferor, its representative) and the Person to which the Limited Partner's Interest or part thereof is Disposed, (ii) including the notice address of any Person to be admitted to the Partnership as a Substitute Limited Partner and its agreement in writing to be bound by this Agreement and all amendments hereto in respect of the Limited Partner's Interest or part thereof being obtained, (iii) setting forth the Interests after the Disposition of the Limited Partner effecting

the Disposition and the Person to which the Limited Partner's Interest or part thereof is Disposed (which together must total the Interest of the Limited Partner effecting the Disposition before the Disposition), (iv) containing a representation and warranty that the Disposition was made in accordance with all applicable laws and regulations (including securities laws) and, if the Person to which the Limited Partner's Interest or part thereof is Disposed is to be admitted to the Partnership, its representation and warranty that the representations and warranties in Section 9.01 hereof are true and correct with respect to that Person, and (v) the Limited Partner effecting a Disposition executes a waiver of liability in favor of the other Limited Partners and the General Partner in form and substance acceptable to the General Partner. Each Disposition and, if applicable, admission complying with the provisions of this Section 6.04(d) shall be effective as of the first day of the calendar month immediately succeeding the month in which the General Partner receives the notification of Disposition and the other requirements of this Section 6.04 have been met.

(e) For the right of a Limited Partner to Dispose of a Limited Partner's Interest or any part thereof or of any Person to be admitted to the Partnership in connection therewith to exist or to be exercised, either (A) the Limited Partner's Interest or part thereof subject to the Disposition or admission must be registered under the Securities Act of 1933, as amended, and any applicable state securities laws or (B) the General Partner on behalf of the Partnership must receive a favorable opinion by the Partnership's legal counsel or by other legal counsel acceptable to the General Partner to the effect that the Disposition or admission is exempt from registration under those laws.

(f) The Limited Partner effecting a Disposition, and any Person admitted to the Partnership in connection therewith, shall pay, or reimburse the Partnership for, all costs incurred by the Partnership in connection with the Disposition or admission (including, without limitation, the legal fees incurred in connection with the legal opinions

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referred to in Section 6.04(e) hereof, on or before the tenth (10th) day after the receipt by that Person of the Partnership's invoice for the amount due. If payment is not made by the date due, the Person owing that amount shall pay interest on the unpaid amount from the date due until paid, at a rate per annum equal to the Base Interest Rate.

(g) Each Limited Partner agrees that he will, upon request of the General Partner, execute such certificates or other documents and perform such acts as the General Partner deems appropriate after a Disposition of Interest by that Limited Partner to preserve the limited liability status of the Partnership under the laws of the jurisdictions in which the Partnership is doing business or to otherwise comply with applicable laws.

6.05 Right of First Refusal.

(a) Subject to Section 6.10 hereof, at any time following the Effective Date, any Limited Partner desiring to Dispose of all or any part of its Interest to any Person other than an Affiliate (the "Disposing Partner") shall first have received a written offer from the prospective purchaser, and, as a condition precedent to its right to Dispose of the Interest, the Disposing Partner shall notify the General Partner and the other Limited Partners of its intention to Dispose of all or a specified part of its Interest. The notice shall be in writing setting forth in detail the name of the prospective purchaser and the terms and conditions of the proposed Disposition (the "Sale Notice") and shall offer to Dispose of such Partner's Interest at the same price and on the same terms and conditions ("Third Party Terms"). The Partners and their designated Affiliates (each an "Offeree Partner"), shall have the right to purchase the Interest on the Third Party Terms within thirty (30) days after the delivery of the Sale Notice to the Partnership (the "Notice Period"). In the event the Offeree Partners do not elect to purchase the Interest offered by the Disposing Partner on the Third Party Terms, then the Disposing Partner shall be free to Dispose of the Interest in accordance with the terms set out in the Sale Notice, subject to the other terms of this Agreement, including Section 6.04 hereof, which shall apply to any transferee. If such Disposition does not occur within thirty (30) days after termination of the Notice Period, the Disposing Partner shall be required to again comply with all the provisions of this Section 6.05.

(b) If any Third Party Terms contemplate that all or any part of the purchase price for the proposed Disposition of an Interest will be paid in any form other than cash, the fair market value of the offer shall be an amount (in U.S. dollars) determined as follows: (i) cash payable at closing shall be valued at the amount thereof in U.S. dollars, (ii) a security trading on a public market and for which published trading prices are readily available shall be valued at its closing sales price (or if a sales price is not available at the average of its closing bid and asked

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prices) on the last Business Day preceding the date of the offer with respect to such offer, and (iii) a security not described in clause (ii) or other property, including cash payable in one or more installments, shall be valued at its fair market value on the last Business Day preceding the date of the offer, as determined by a majority vote of the Partners who are not Disposing Partners, which determination shall be binding upon the Partners for purposes of determining the fair market value of the offer. If the non-Disposing Partners, by majority vote, are unable or unwilling to agree on the fair market value of the offer, the General Partner shall select an independent appraiser to determine the fair market value of the offer, which determination shall be binding upon the Partners for purposes of determining the fair market value of the offer.

6.06 Assignee's Rights. An assignee of all or any part of a Limited Partner's Interest shall be entitled to receive distributions of cash or other property from the Partnership attributable to such Interest after the effective date of the Disposition. The effective date of an assignment of an Interest under the provisions of this Article 6 for the purposes of Partnership accounting shall be the first date of the calendar month following the date on which all conditions precedent to such assignment provided for in this Agreement are, in the opinion of the General Partner, fulfilled. An assignee of

all or any part of a Limited Partner's Interest who does not become a Substitute Limited Partner in accordance with this Article 6 shall have no right to require any information or account of the Partnership's transactions or to inspect the Partnership's books.

6.07 No Liability of General Partner for Distributions. Notwithstanding anything herein to the contrary, both the Partnership and the General Partner shall be entitled to treat the assignor of an Interest as the absolute owner thereof in all respects, and shall incur no liability for distributions of cash made to him, until such time as all conditions and requirements of this Article 6 have been, in the opinion of the General Partner, met.

6.08 Indemnification. Each Limited Partner shall indemnify and hold harmless the Partnership, the General Partner and every other Limited Partner who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of or arising from (a) any actual or alleged misrepresentation or misstatement of facts or omission to state facts made by such Limited Partner in connection with any Disposition of all or any part of an Interest, (b) the consent to or refusal of the General Partner to consent to the Disposition of all or any part of such Limited Partner's Interest to the fullest extent provided by the Act or (c) the admission of or refusal to admit an assignee or transferee of all or any part of such Limited Partner's Interest as a Substitute Limited Partner, from and against expenses actually and

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reasonably incurred by it in connection with such action, suit or proceeding for which the Partnership or such Partner has not otherwise been reimbursed (including attorneys' fees, judgments, fines and amounts paid in settlement).

6.09 No Dissolution Caused. The bankruptcy or withdrawal pursuant to this Agreement of a Limited Partner shall not cause a dissolution of the Partnership. The admission of any additional or substitute General or Limited Partner shall not cause a dissolution of the Partnership.

6.10 PUHCA. Notwithstanding anything to the contrary contained in this Agreement, any Disposition of a Limited Partner Interest or the acquisition of a Limited Partner Interest by a Partner permitted in this Agreement shall not be so permitted, without Unanimous Consent, if the effect of such Disposition or acquisition would cause the Company or the Partnership to become (i) a "subsidiary company" of a "holding company;" (ii) an "affiliate" of a "holding company;" or (iii) an "affiliate" of a "subsidiary company" of a "holding company" (as such terms are defined in PUHCA) that are not exempt from the obligations, duties and liabilities imposed by PUHCA (collectively, a "PUHCA Company").

6.11 Remedies. The Partnership and/or any Partner shall have the right to enforce its rights under this Article 6 by specific performance.

ARTICLE 7

WITHDRAWAL OF THE GENERAL PARTNER AND LIMITED PARTNERS;
ADMISSION OF ADDITIONAL GENERAL PARTNERS

7.01 Withdrawal of the General Partner. The General Partner does not have the right to withdraw from the Partnership as the General Partner without Unanimous Consent. The General Partner agrees that it will not voluntarily withdraw from the Partnership as a general partner within the meaning of Section 17-602 of the Act, and any such withdrawal shall be a breach of this Agreement.

7.02 Admission of Additional General Partner. The General Partner may cause the Partnership to admit as an additional General Partner any Affiliate of any of the Partners. The Limited Partners hereby consent in advance to such an admission of an additional General Partner pursuant to this Section 7.02; provided, however, that such admission shall not in any manner reduce the Interests of the Limited Partners. Unless otherwise agreed by the General Partner and the Person to be admitted as an additional General Partner, the additional General Partner so admitted shall have the same rights and responsibilities as the General Partner under this Agreement.

7.03 Withdrawal of a Limited Partner and Effect of Withdrawal.

(a) Prior to the Commitment Voting Date and subject to subsections

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7.03(b), (c) and (d) hereof, any Limited Partner may elect to withdraw as a Partner from the Partnership by delivering notice of such Limited Partner's intention to withdraw to the General Partner and the other Limited Partners on or prior to the Commitment Voting Date (the "Withdrawal Notice"). The Withdrawal Notice shall be invalid if the Limited Partner or the Limited Partner's Affiliate that is a Member of the General Partner does not also deliver a "Withdrawal Notice" pursuant to the Regulations of Millennium Pipeline Management Company, L.L.C. Any Limited Partner sending a valid Withdrawal Notice shall become a "Withdrawing Limited Partner." From and after the Commitment Voting Date, a Limited Partner shall have no right or power to withdraw as a Partner from the Partnership.

(b) To the extent the withdrawal of any Partner would have the effect of causing the Partnership to become a PUHCA Company, the Withdrawal Notice shall not immediately affect the withdrawal of the Limited Partner and withdrawal shall not occur until the earlier of (i) the receipt of Unanimous Consent and (ii) two hundred seventy (270) days from the date of the Withdrawal Notice (in such circumstances, the date on which the earlier of the events described in clauses (i) and (ii) occurs being hereinafter referred to as the "Withdrawal Effective Date"); provided, however, that the non-withdrawing Limited Partners shall endeavor to accommodate the Withdrawing Limited Partner's withdrawal to become effective prior to the expiration of the time period described in subsection 7.03(b)(ii). If the withdrawal of the Withdrawing Limited Partner would not have the effect of causing the Partnership to become a PUHCA Company and the Withdrawing Limited Partner delivers to the General Partner a legal opinion to such effect, the Withdrawal Effective Date shall be

the tenth (10th) day following the Withdrawing Limited Partner's delivery of its Withdrawal Notice.

(c) Upon delivery of the Withdrawal Notice, the Withdrawing Limited Partner shall not (i) be entitled to any distributions from the Partnership and (ii) have any obligation to make additional Capital Contributions to the Company except Capital Contributions relating to the expenditure of funds by the Partnership which was approved by the Partners prior to the delivery of the Withdrawal Notice and Scheduled Capital Contributions which are scheduled to be made prior to the delivery of the Withdrawal Notice. A Withdrawing Partner shall be entitled to a return of the cash equivalent of the value of its Capital Contributions; provided, that such return of Capital Contributions shall not begin until after the date on which the Millennium Pipeline System is fully operational and in-service (the "In-Service Date"). Capital Contributions shall be returned to a Withdrawing Partner if and when distributions are made to the non-Withdrawing Partners as provided in this Agreement and shall be

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paid to the Withdrawing Partner in one or more installments in amounts equal to the sum that the Withdrawing Partner would have received if it had not become a Withdrawing Partner (based upon the Withdrawing Partner's Interest at the time of becoming a Withdrawing Partner) until the Withdrawing Partner receives a sum equal to its aggregate Capital Contributions. Interest shall accrue on the undistributed sums to be distributed to a Withdrawing Partner at the General Interest Rate from a date which commences three (3) months from the In-Service Date.

(d) Except as provided in Section 7.03(b), withdrawal by a Limited Partner may not occur without Unanimous Consent if the effect of the withdrawal would be to cause the Partnership, the General Partner or both to become a PUHCA Company.

(e) A Withdrawing Limited Partner shall be treated as an Abstaining Partner for the purpose of any matter to be voted on by the Partners.

(f)Notwithstanding any other provisions of this Section 7.03, a Withdrawing Limited Partner shall be entitled to receive a copy of each financial report prepared for and distributed to the non-withdrawing Limited Partners as required by Section 8.04 hereof until such time as the Withdrawing Limited Partner's Capital Contributions have been returned to such Withdrawing Member.

(g) The non-Withdrawing Limited Partners shall have the right but not the obligation for a period of sixty (60) days from the date of the Withdrawal Notice to purchase the Interest of a Withdrawing Limited Partner for an amount equal to the aggregate Capital Contributions of the Withdrawing Limited Partner and such Interest shall be sold free and clear of all claims, liens and encumbrances. If more than one non-Withdrawing Limited Partner elects to purchase the Interest of the Withdrawing Limited Partner, such Limited Partners shall be entitled to purchase such Interest on a pro rata basis or in such other manner as they mutually agree.

7.04 Indemnification of Withdrawing Limited Partner. If a Withdrawing Limited Partner is made a party to or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (hereinafter an "Action"), or any appeal of such an Action during the period between the date of the Withdrawal Notice and the Withdrawal Effective Date (the "Withdrawal Period") or if any Action is brought (whether during or after the Withdrawal Period) in which the Withdrawing Limited Partner is made a Party based upon events transpiring during the Withdrawal Period, such Withdrawing Limited Partner shall be indemnified by the Partnership. The rights granted pursuant to this Section 7.04 shall be deemed contract rights, and no amendment, modification or repeal of this Section 7.04 after a Withdrawal Notice is delivered shall have the effect of limiting or denying any such rights granted

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hereunder to a Withdrawing Limited Partner.

ARTICLE 8

FISCAL YEAR; BOOKS OF ACCOUNT; BANK ACCOUNTS; AND REPORTS

8.01 Books and Records.

(a) The General Partner, at the expense of the Partnership, shall maintain for the Partnership adequate books and records of account which shall be maintained, except as otherwise required by law, on the accrual basis in accordance with the terms of this Agreement and Required Accounting Practices, consistently applied. Notwithstanding the foregoing, the Capital Accounts for each Partner shall also be maintained in accordance with Article 3 hereof. The Partnership shall adopt the calendar year as its fiscal year.

(b) The Limited Partners and their agents may, at their own cost and expense, examine, audit and obtain copies of the books, records and accounts of the Partnership, including federal, state and local income tax returns for each year as and when they become available, inspect its Properties, or otherwise make reasonable inquiry as to Partnership affairs. Any such inspections shall be conducted during the normal business hours of the General Partner.

8.02 Bank Accounts. All funds of the Partnership shall be deposited in its name in such bank account or accounts as may be designated by the General Partner. The General Partner and any Persons authorized in writing by it to do so shall be authorized to draw checks on the bank accounts of the Partnership. Each bank in which a Partnership account is maintained shall be relieved of any responsibility to inquire into the authority of the General Partner to deal with such funds.

8.03 Tax Elections.

(a) The General Partner shall make the following elections for the Partnership in the first and subsequent tax years:

(i) To elect December 31st as the end of the fiscal year of the Partnership; provided, however, that the fiscal year of the Partnership may be changed to any twelve (12) month period approved by the General Partner;

(ii) To elect to have the General Partner be the "tax matters partner" pursuant to Section 6231(a)(7)(A) of the Code;

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(iii) To deduct expenses incurred in organizing the Partnership ratably over a sixty (60) month period as provided in Code Section 709;

(iv) If a distribution of Partnership property as described in Section 734 of the Code occurs or if a transfer of an Interest as described in Section 743 of the Code occurs, on written request of any Partner, to elect, pursuant to Section 754 of the Code, to adjust the basis of Partnership properties; and

(v) Subject to the other provisions of this Section 8.03, all other elections required or permitted to be made by the Partnership under the Code shall be made by the General Partner in its sole discretion.

(b) No election shall be made by the Partnership or any Partner for the Partnership to be excluded from the application of any of the provisions of Subchapter K, Chapter 1 of Subtitle A of the Code, or from any similar provisions of any state tax laws.

(c) The Partnership is intended to be classified as a partnership for federal and state income tax purposes. No election shall be made by the Partnership or any Partner to classify the Partnership as an association pursuant to regulations issued under Code Section 7701 or any similar provision of any state tax law.

8.04 Annual and Quarterly Reports. The General Partner shall furnish to the Limited Partners (a) within ninety (90) days after the Partnership's fiscal year financial statements of the Partnership as at and for the period ending December 31 of the preceding year, including a balance sheet, a statement of income, a statement of changes in Partners' equity, and a statement of cash flows and accompanying independent auditor's report, if any, all of which shall be prepared in accordance with Required Accounting Practices, consistently applied; and (b) within forty-five (45) days after the end of each calendar quarter, a quarterly report as at and for such calendar quarter including a balance sheet, a statement of income, a statement of Partners' equity, and a statement of cash flows, all of which shall be prepared in accordance with Required Accounting Practices, consistently applied. The General Partner shall use its best efforts to furnish such other reports as reasonably requested by the Limited Partners.

8.05 Tax Reporting Information. The General Partner shall furnish the Limited Partners a report within one hundred twenty (120) days after the close of the Partnership's fiscal year containing all tax reporting information reasonably necessary for federal income tax purposes.

8.06 Reporting Expenses. The General Partner shall be reimbursed for all

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expenses incurred by the General Partner in preparing (or causing to be prepared) reports to Limited Partners.

ARTICLE 9

REPRESENTATIONS AND WARRANTIES OF LIMITED PARTNERS

9.01 Representations and Warranties. Each Limited Partner further represents and warrants that the following statements are true:

(a) Such Limited Partner is a corporation duly organized or a partnership, limited liability company or other entity duly formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation and has the corporate, partnership or company power and authority to own its property and carry on its business as owned and carried on at the date hereof and as contemplated hereby. Such Limited Partner is duly licensed or qualified to do business and is in good standing in each of the jurisdictions in which the failure to be so licensed or qualified would have a material adverse effect on its financial condition or its ability to perform its obligations hereunder. Such Limited Partner has the corporate, partnership or company power and authority to execute and deliver this Agreement and to perform its obligations hereunder and the execution, delivery and performance of this Agreement has been duly authorized by all necessary corporate, partnership or company action. This Agreement constitutes the legal, valid and binding obligation of such Limited Partner.

(b) Neither the execution, delivery and performance of this Agreement nor the consummation by such Limited Partner of the transactions contemplated hereby will (i) conflict with, violate or result in a breach of any of the terms, conditions or provisions of any law, regulation, order, writ, injunction, decree, determination or award of any court, governmental department, board, agency or instrumentality, domestic or foreign, or any arbitrator, applicable to such Limited Partner, (ii) conflict with, violate, result in a breach of or constitute a default under any of the terms, conditions or provisions of the articles or certificate of incorporation, bylaws, partnership agreement or operating agreement of such Limited Partner or of any material agreement or instrument to which such Limited Partner is a party or by which such Limited Partner is or may be bound or to which any of its material properties or assets is subject, (iii) conflict with, violate, result in a breach of, constitute a default under (whether with notice or lapse of time or both), accelerate or permit the acceleration of the performance required by, give to others any material interests or rights to require any consent, authorization or approval under any indenture, mortgage, lease agreement or instrument to which such Limited Partner is a party or by which such Limited Partner is or may be bound or (iv) result in the creation or imposition of any lien upon any of the material properties or assets of such Limited Partner.

(c) Any registration, declaration or filing with, or consent,

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approval, license, permit or other authorization or order by, any governmental or regulatory authority, domestic

or foreign, that is required in connection with the valid execution, delivery, acceptance and performance by such Limited Partner under this Agreement or the consummation by such Limited Partner of any transaction contemplated hereby has been completed, made or obtained on or before the date hereof.

(d) There are no actions, suits, proceedings or investigations pending or, to the knowledge of such Limited Partner, threatened against or affecting such Limited Partner or any of its properties, assets or businesses in any court or before or by any governmental department, board, agency or instrumentality, domestic or foreign, or any arbitrator which could, if adversely determined (or, in the case of an investigation, could lead to any action, suit or proceeding, which if adversely determined) could reasonably be expected to materially impair such Limited Partner's ability to perform its obligations under this Agreement or to have a material adverse effect on the consolidated financial condition of such Limited Partner; and such Limited Partner has not received any currently effective notice of any default, and such Limited Partner is not in default, under any applicable order, writ, injunction, decree, permit, determination or award of any court, any governmental department, board, agency or instrumentality, domestic or foreign, or any arbitrator which could reasonably be expected to materially impair such Limited Partner's ability to perform its obligations under this Agreement or to have a material adverse effect on the consolidated financial condition of such Limited Partner.

(e) Such Limited Partner is acquiring its Interest based upon its own investigation, and the exercise by such Limited Partner of its rights and the performance of its obligations under this Agreement will be based upon its own investigation, analysis and expertise. Such Limited Partner is the sole party in interest as to its participation in the Partnership and such Limited Partner's acquisition of its Interest is being made for its own account for investment and, in particular, such Limited Partner has no present agreement, understanding or arrangement to (a) subdivide its Interest, (b) hold its Interest in trust for any other Person or (c) Dispose of any portion thereof to any other Person except for the Disposition of any Partner's Interest to an Affiliate of such Partner. Such Limited Partner is a sophisticated investor possessing an expertise in analyzing the benefits and risks associated with acquiring investments that are similar to the acquisition of its Interest. Prior to the acquisition of its Interest, such Limited Partner and its representatives, if any, have had the opportunity to obtain ample information concerning the Partnership and its proposed activities.

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(f) Such Limited Partner is not, nor will the Partnership as a result of such Limited Partner holding an interest therein be, an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended.

(g) Exhibit B hereto identifies the Limited Partner Owner for such Limited Partner.

ARTICLE 10

DISSOLUTION, WINDING UP AND TERMINATION; CONTINUATION

10.01 Events of Dissolution.

(a) The Partnership shall be dissolved and its affairs wound up upon the first to occur of the following:

(i) the entry of a decree of judicial dissolution under the Act;

(ii) the Partners determine by Unanimous Consent that the Partnership should be dissolved;

(iii) an Event of Withdrawal occurs with respect to a General Partner;

(iv) the sale of all or substantially all of the Partnership's interest in the Partnership Property and the collection and distribution of all sales proceeds; or

(v) the occurrence of any other event which, under the Act, causes the dissolution of a limited partnership.

(b) As used in this Agreement, an "Event of Withdrawal" shall have the meaning ascribed to that term in the Act.

(c) Upon the occurrence of an Event of Withdrawal with respect to a General Partner, such General Partner shall cease to be a Partner of the Partnership. A General Partner who suffers an event that with the passage of the specified period becomes an Event of Withdrawal under the Act shall notify the other Partners of the event within thirty (30) days after the date of occurrence of the Event of Withdrawal.

(d) Neither the dissolution nor bankruptcy of any Limited Partner nor the admission or substitution of a Person as a Limited Partner in accordance with the terms hereof shall dissolve, or be deemed to dissolve, the Partnership or cause any interruption in or affect the continued

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existence of the Partnership and its business.

10.02 Continuation of Business.

(a) Notwithstanding the provisions of Section 10.01(a) hereof, the Partnership shall not be dissolved and shall not be required to be wound up if:

(i) at the time an Event of Withdrawal occurs, there remains at least one (1) General Partner and that General Partner or those General Partners elect to

continue the business of the Partnership by written notice to all Partners within ninety (90) days after the Event of Withdrawal; or

(ii) within ninety (90) days after the Event of Withdrawal, all remaining Partners agree in writing to continue the business of the Partnership and to the appointment, effective as of the date of the Event of Withdrawal, of one or more additional General Partners if necessary or desired.

(b) In the event the Partnership is continued after an Event of Withdrawal with respect to a General Partner, the Partnership shall promptly after the Event of Withdrawal and as a condition precedent to the further continuation of the business of the Partnership after such Event of Withdrawal (i) pay to the withdrawing General Partner all sums due and owing to the General Partner through the date of withdrawal and (ii) assign by duly recordable instruments of assignment an undivided interest in the Partnership Property, whether tangible or intangible, real or personal, equal to the percentage interest that the withdrawing General Partner would share in revenues from the sale of such items of Partner ship Property if such items of Property were sold in the ordinary course of business on the date the Event of Withdrawal occurred.

10.03 Agreement of Successor General Partner. A successor General Partner shall, upon consent to his admission by all of the Limited Partners, be admitted as a General Partner of the Partnership upon his agreeing to be bound by the provisions of this Agreement to the same extent and on the same terms and conditions as the then General Partner, if any, or, if none, as the General Partner most recently withdrawn. Any such successor General Partner shall, as a condition of receiving any Interest, also agree to be bound by any contracts, leases, instruments or other documents theretofore executed and delivered on behalf of the Partnership to the same extent and on the same terms and conditions as specified in the preceding sentence.

10.04 Liquidation. Upon dissolution of the Partnership, the General Partner (or, if there shall not be any remaining General Partners, a special

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liquidator [herein called the "Liquidator"] appointed by a Required Interest) shall proceed with the winding up of the Partnership and shall distribute the assets of the Partnership in the following order of priority:

(a) To creditors, including Partners who are creditors, to the extent permitted by law, in satisfaction of liabilities of the Partnership (whether by payment or the making of reasonable provision for payment thereof) other than liabilities for which reasonable provision for payment has been made and other than liabilities to Partners for distributions;

(b) To the setting up of any reserve which such General Partner (or the Liquidator, where applicable) shall reasonably deem advisable to provide for any contingent or unforeseen liabilities or obligations of the Partnership;

(c) To the Partners and former Partners in satisfaction of liabilities for distributions; and

(d) all remaining assets of the Partnership shall be distributed to the Partners as follows:

(i) the liquidator may sell any or all Property, including to Partners, and any resulting gain or loss from each sale shall be computed and allocated to the capital accounts of the Partners;

(ii) with respect to all Property that has not been sold, the fair market value of that Property shall be determined and the Capital Accounts of the Partners shall be adjusted to reflect the manner in which the unrealized income, gain, loss and deduction inherent in Property that has not been reflected in the Capital Accounts previously would be allocated among the Partners if there were a taxable disposition of that Property for the fair market value of that Property on the date of distribution; and

(iii) Property, including cash, shall be distributed to the Partners, in proportion to their positive Capital Accounts as of the date of such distribution, after giving effect to all contributions, distributions and allocations for all periods.

All distributions in kind to the Partners shall be made subject to the liability of each distributee for costs, expenses and liabilities theretofore incurred or for which the Company has committed prior to the date of termination and those costs, expenses and liabilities shall be allocated to the distributee pursuant to this Section 10.04. The distribution of cash and/or Property to a Partner in accordance with the provisions of this Section 10.04 constitutes a complete return to the Partner of its Capital Contributions and a complete distribution to the Partner of its Interest and all the Partnership's Property.

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To the extent that a Partner returns funds to the Partnership, it has no claim against any other Partner for those funds.

At the expiration of such period of time as the General Partner (or, where applicable, the Liquidator) shall deem advisable, the remaining balance of any reserve established in accordance with subsection 10.04(b) shall be distributed in the manner set forth in subsection 10.04(d).

10.05 Distributions in Kind. In the event the General Partner (or, where applicable, the Liquidator) determines that it is necessary or desirable upon dissolution to make a distribution of any Property of the Partnership in kind, such Property shall be transferred and conveyed on the basis of the fair market value thereof to the Partners or their assignees, so as to vest in each of them an undivided interest, as tenants-in-common, in the whole of such Property proportionate to their positive Capital Account balances. Any Partnership Property distributed in kind shall be subject to such liens, encumbrances and restrictions that affect such Partnership Property on the date of distribution and will be subject to and operated in accordance with any operating agreements then in effect.

ARTICLE 11

AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS; RECORD DATE

11.01 Amendments to be Adopted Solely by General Partner. The General Partner (pursuant to this Section 11.01 and its power of attorney from the Limited Partners), without the consent of any Limited Partner, may amend any provision of this Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

(a) a change in the name of the Partnership, the location of the principal place of business of the Partnership, the registered office of the Partnership or the registered agent of the Partnership;

(b) the admission or removal of any Partner in accordance with this Agreement;

(c) a change in any Limited Partner's Capital Contribution;

(d) a change that is necessary to qualify the Partnership as a limited partnership under the laws of any state or any change that is necessary or advisable in the opinion of the General Partner to ensure that the Partnership will not be treated as an association taxable as a corporation for federal income tax purposes;

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(e) the cure of any ambiguity in this Agreement or to correct or supplement any provisions hereof which may be inconsistent with any other provision hereof;

(f) amendments to the provisions of this Agreement in response to changes in the Code or regulations thereunder or other developments in the law applicable to the taxation of the Partnership or its Partners, if the General Partner concludes in good faith that such amendments are in the overall best interests of the Partners; provided, however, that the General Partner shall be under no obligation to make any such amendment; and

(g) any other amendments similar to the foregoing.

11.02 Amendments to be Adopted with Consent of Limited Partners. Except as provided in Section 11.01 hereof, all amendments to this Agreement shall be made in accordance with the following requirements:

(a) Amendments to this Agreement may be proposed by the General Partner or by Limited Partners holding at least 10% of the Units.

(b) Following any proposal of an amendment, the General Partner shall, within fifteen (15) days after receipt of such proposal, mail to all Partners a verbatim statement of

the proposed amendment and any alternative or additional proposal by the General Partner. The General Partner may include in such submission its recommendation as to the proposed amendments and may (but shall not be required to) solicit the proxies of the Limited Partners to vote on such proposals or any other matter which may come before the meeting at which such proposal(s) will be voted upon. Such proposed amendment may be voted upon by the Limited Partners by written vote in lieu of a meeting or at a meeting in person or by proxy, as specified by the General Partner in such notice of proposed amendment. The General Partner must include in such submission the date on which the meeting will be held to vote on such proposed amendment or the date by which written votes must be received by the General Partner. Such date must be not less than thirty (30) days nor more than forty-five (45) days after the date of mailing of such submission to the Limited Partners; provided, however, if voting is by written consent, the General Partner may deem such proposed amendment to be approved or rejected before the expiration of such fifteen (15) day-period if the General Partner has received the unanimous consent of the Limited Partners to approve or reject the proposed amendment.

(c) Except as otherwise provided in this Agreement, a Required Interest shall be required to approve or disapprove any proposal before the Partners. If the General Partner determines that voting on such

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proposal(s) shall be by written vote in lieu of a meeting, and the written vote of a Limited Partner in the form submitted to the Limited Partner by the General Partner is not actually received by the General Partner on or before the date such written vote is due, such Limited Partner shall be deemed to have voted on the proposal(s) in accordance with the recommendation(s), if any, of the General Partner. If no recommendation of the General Partner was submitted to the Limited Partners, the failure to timely vote in the form submitted to a Limited Partner shall constitute a vote against all proposals.

11.03 Consent of General Partner Required. Notwithstanding the foregoing provisions of this Article 11, the consent of the General Partner shall be required for any amendment which would:

(a) change the General Partner's sharing of costs and revenues or any item of income, gain, loss, deduction or credit;

(b) increase or diminish the General Partner's duties under this Agreement or the General Partner's liabilities, whether fixed or contingent;

(c) modify the provisions of this Agreement relating to removal or replacement of the General Partner;

(d) have or is reasonably expected to have a materially adverse effect on the General Partner; or

(e) amend this Section 11.03.

11.04 Meetings. Meetings of the Partners may be called by the General Partner or by Limited Partners owning at least 10% of the Units. Any call for a meeting by Limited Partners shall be submitted in writing to the General Partner and such call shall contain a reasonably detailed description of matters to be brought before the Partners at such meeting. Within twenty (20) days after receipt of such a call from Limited Partners, the General Partner shall mail a notice of the meeting to the Limited Partners, which notice shall contain a reasonably detailed description of matters to be brought before the Partners at such meeting. The General Partner may (but shall not be required to) solicit the proxies of Limited Partners in connection with any meetings. A meeting shall be held at a reasonable time and convenient place on a date not less than fifteen (15) nor more than sixty (60) days after the mailing of notice of the meeting. The General Partner shall select the time and place of the meeting. For purposes of this Section 11.04, any location in the continental United States shall be deemed a convenient meeting place. Limited Partners may vote either in person or by proxy at any meeting. Action at any such meeting shall be limited to those matters specified in the notice of meeting. The presence, in person or by proxy, of a Required Interest shall constitute a quorum, and, except as otherwise

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provided in this Agreement, the affirmative vote, in person or by proxy, of a Required Interest shall be required to approve any action duly proposed at such meeting. The presence of a Limited Partner at any meeting, whether in person or by proxy, shall constitute a waiver of any irregularity in the notice of meeting or lack of notice, except where the Limited Partner attends a meeting for the sole and expressed purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. Any such objection shall be submitted in writing to the General Partner at such meeting and shall specifically state the grounds of objection.

11.05 Action Without a Meeting. Any action that may be taken at a meeting of the Limited Partners may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing setting forth the action so taken shall be signed and dated by the General Partner (if its consent to such action is required) and each of the Limited Partners. The notice and voting procedures of Section 11.02(b) hereof relating to submission of amendment proposals and voting thereon by written consent in lieu of a meeting shall also apply to the submission of and voting on proposals pursuant to this Section 11.05. No written consent shall be effective to take the action that is the subject to the consent unless, within sixty (60) days after the date of the earliest dated consent delivered to the General Partner in the manner required by this Section 11.05, a consent or consents signed and dated by the General Partner (if required) and each of the Limited Partners are delivered to the General Partner by delivery to its registered office or its principal place of business. A telegram, telex, cablegram or similar transmission by a Partner shall be regarded as signed by the Partner for purposes of this Section.

11.06 Record Date. For the purpose of determining Partners entitled to notice of or to vote at any meeting of Partners or any reconvening thereof or by consent, or the Partners and their assignees entitled to receive payment of any distribution, or in order to make a determination of Partners and their assignees for any other proper purpose, the General Partner may fix in advance a date as the record date for any such determination of Partners and assignees, such date in any case to be not more than sixty (60) days (and in case of a meeting of Partners or solicitation of consents not less than ten (10) days) prior to the date on which the particular action requiring such

determination of Partners and assignees is to be taken or the first solicitation of consents in writing. If no record date is fixed for the determination of Partners entitled to notice of or to vote at a meeting of Partners or by consent, or of the Partners and assignees entitled to receive payment of a distribution, the date on which the notice of the meeting is mailed, the date of the first solicitation of consents in writing or the date on which the General Partner declares such distribution, as the case may be, shall be the record date for such determination of Partners or assignees.

ARTICLE 12

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DISPUTE RESOLUTION

12.01 Disputes. This Article 12 shall apply to any dispute arising under or related to this Agreement (whether arising in contract, tort or otherwise, and whether arising at law or in equity), including (a) any dispute regarding the construction, interpretation, performance, validity or enforceability of any provision of this Agreement or whether any Person is in compliance with, or in breach of, any provisions of this Agreement and (b) the applicability of this Article 12 to a particular dispute (collectively, a "Dispute").

12.02 Negotiations to Resolve Disputes. The Partners shall endeavor to resolve any Dispute in a prompt and equitable manner. In the event a Dispute arises which the Partners are unable to resolve, the Partners shall, prior to the initiation of any claim or cause of action, each appoint an officer or representative that has settlement authority to meet (in person or by telephone conference) in an effort to resolve the Dispute equitably, in good faith and as quickly as reasonably possible. No settlement shall be binding until reduced to writing and signed by the Partners. The responsibility of these representatives shall be to resolve the matter or propose a method of resolving the matter, if possible. If the Dispute is not settled or resolved by the earlier of (a) sixty (60) days following the first meeting of the representatives and (b) at such time as the representatives unanimously agree that a resolution of the Dispute is not possible, then the Partners may proceed as set forth in Section 12.03 hereof.

12.03 Arbitration. Subject to the provisions of Section 12.02 hereof, any Dispute shall be settled by binding arbitration administered by the American Arbitration Association (the "AAA") under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator(s) may be entered in any court of competent jurisdiction. All Partners further agree to waive the fifty-thousand dollar ($50,000) maximum claim amount applicable to the Expedited Procedures contained in the Commercial Arbitration Rules, and agree to submit to such Expedited Procedures, along with the additional discovery-related rules outlined below, in all disputes subject to arbitration hereunder. In no event may the initiation of arbitration by written submission to the AAA be given more than one (1) year after the date the Dispute was first asserted in writing to the other Partner in accordance with Section 12.02 hereof. The Partners shall adhere to the following schedule for exchange of information upon commencement of arbitration under the Commercial Arbitration Rules:

(a) Within seven (7) days of the service by the responding Partner of an answering statement upon the complaining Partner, the complaining Partner shall serve upon the responding Partner a copy of each document in possession of the complaining Partner and a list of any witnesses, excluding those documents and witnesses to be used for cross-examination or rebuttal, that the complaining Partner intends to rely upon at the

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arbitration;

(b) Within thirty (30) days of the service by the responding Partner of an answering statement upon the complaining Partner, the responding Partner shall provide a list of any witnesses it intends to call at arbitration and a list of all documents it intends to rely on at arbitration, excluding those documents it intends to rely on at arbitration, excluding those documents and witnesses to be used for cross-examination or rebuttal;

(c) Any Partner may serve written requests for information and documents (the "Information Request") upon another Partner within thirty (30) days of the filing of the answering statement, subject to the following limitations:

(i) Each Partner may serve not more than one (1) set of interrogatories limited to ten (10) items;

(ii) Each Partner may depose the other Partner's expert witnesses, if any, who will be called to testify at the hearing, plus four (4) fact witnesses without regard to whether they will be called to testify. Each Partner will be entitled to a total of not more than twenty-four (24) hours of depositions of the other Partner's witnesses, including, but not limited to, the witnesses referred to herein. All depositions to be taken by a Partner are to be scheduled and completed within one hundred twenty (120) days of the filing of the answering statement.

(d) Information Requests, except as otherwise provided herein, shall be satisfied or objected to within twenty (20) days from the date of service of the Information Request;

(e) Any response to objections to an Information Request shall be served within ten (10) days of receipt of the objection;

(f) Upon the written request of a Partner whose information request is unsatisfied, the matter will be considered by the arbitrator(s) at a preliminary hearing held in accordance with the Commercial Arbitration Rules.

ARTICLE 13

GENERAL PROVISIONS

13.01 Payments and Offset. Whenever the Partnership is to pay any sum to any Partner, any amounts that Partner owes the Partnership may be deducted from that sum before payment. If any payment due hereunder, including any Capital

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Contribution, is not made when due, it shall accrue interest at the Base Interest Rate.

13.02 Notices. Except as expressly set forth to the contrary in this Agreement, all notices, requests, or consents provided for or permitted to be given under this Agreement must be in writing and must be given either by depositing that writing in the United States mail, addressed to the recipient, postage paid, and registered or certified with return receipt requested or by delivering that writing to the recipient in person, by courier or by facsimile transmission; a notice request, or consent given under these Regulations is effective on receipt by the Person who is to receive it. Whenever any notice is required to be given by law or this Agreement, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

If to the General Partner or the Partnership:	Millennium Pipeline Management Company, L.L.C. 12801 Fair Lakes Parkway P.O. Box 10146 Fairfax, Virginia 22030 Attn: Mr. David C. Pentzien, Chairman Telephone: (703) 227-3223 Telecopy: (304) 227-3326
If to Columbia:	Columbia Gas Transmission Corporation 12801 Fair Lakes Parkway P.O. Box 10146 Fairfax, Virginia 22030 Attn: Mr. David C. Pentzien Telephone: (703) 227-3223 Telecopy: (304) 227-3326
If to MCN:	MCNIC Millennium Company City Place I 185 Asylum Street, 32nd Floor Hartford, CT 06103 Attn: Mr. Mike Feodorov Telephone: (860) 275-6460 Telecopy: (860) 275-6245

If to TransCanada:	TransCanada PipeLine USA Ltd. TransCanada PipeLines Tower 511 5th Avenue, SW Calgary, Alberta Canada T2P 3Y6 Attn: Mr. Brian Fowler

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Telephone: (403) 267-1908
Telecopy: (403) 267-8573

If to Westcoast: Westcoast Energy (U.S.) Inc.
50 Keil Drive North
Chatham, Ontario
Canada N7M 5M1
Attn: Mr. John Wolnik
Telephone: (519) 436-4567
Telecopy: (519) 436-4521

13.03 Ratification. The Limited Partners hereby ratify, approve, adopt and confirm as an act of the Partnership, all lawful acts taken by and on behalf of the Partnership prior to the date hereof (a) by the General Partner and (b) pursuant to the MOU by the management committee or its members or chairman established under the MOU, whether such action was taken in the name of the Partnership or otherwise, including the filing of the documents pursuant to which application was made on behalf of the Partnership for the regulatory authorizations from the FERC for authority to construct, own, operate and maintain the Millennium Pipeline System and for the authority to provide natural gas transmission services using the Millennium Pipeline System.

13.04 Execution and Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if all parties hereunder had signed the same document. All counterparts shall be construed together and shall constitute one agreement.

13.05 Waiver of Partition. Each Partner hereby irrevocably waives during the term of the Partnership any right that it or he may have to maintain any action for partition with respect to any Partnership Property.

13.06 Governing Law, Successors, Severability. The internal affairs of the Partnership and the relative rights of the parties to this Agreement shall be governed by the laws of the State of Delaware, as such laws are applied by Delaware courts to agreements entered into and to be performed in Delaware by and between residents of Delaware, and shall, subject to the restrictions on transferability set forth herein, bind and inure to the benefit of the legal representatives, successors and assigns of the parties hereto. All other rights and remedies shall be governed by the laws of the State of Delaware. If any provision of this Agreement shall be held to be invalid, the remainder of this Agreement shall not be affected thereby.

13.07 Entire Agreement; Acknowledgment.

(a) This Agreement constitutes the entire agreement of the Partners relating to the Partnership. This Agreement supersedes any prior agreement or understandings among them, oral or written, including the MOU.

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(b) The Limited Partners and the General Partner expressly acknowledge that, without limiting the effect of subsection 13.07(a), the obligations of each Limited Partner shall be limited to those expressly contained in this Agreement, the Regulations of Millennium Pipeline Management Company, L.L.C. and any Project Agreements to which such Limited Partner is a party, and there are no additional express or implied obligations or understandings of the said Limited Partner or any of its Affiliates in respect of the Millennium Pipeline System, fiduciary or otherwise.

13.08 No Waiver. The failure of any Partner to seek redress for violation, or to insist on strict performance, of any covenant or condition of this Agreement shall not prevent a subsequent act which would have constituted a violation from having the effect of an original violation.

13.09 Legends. If certificates are issued evidencing a Limited Partner's Interest in the Partnership, each such certificate shall bear such legends as may be required by applicable federal and state laws, or as may be deemed necessary or appropriate by the General Partner to reflect restrictions upon transfer contemplated herein.

13.10 Presumptions. Any act or omission performed or omitted by the General Partner or an Affiliate of the General Partner on advice of legal counsel or an independent consultant who has been employed or retained by the Partnership shall be presumed to have been performed or omitted in good faith. The termination of any action, suit or proceeding by judgment, order or settlement shall not, of itself, create a presumption that any such party did not act in good faith and in the best interests of the Partnership.

13.11 Time of Essence. Time shall be of the essence in the performance of this Agreement.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, this Agreement is executed as of the date first set forth above.

GENERAL PARTNER:

Millennium Pipeline Management Company, L.L.C., a Delaware limited liability company

By:____

Printed Name:_________________________________

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Title:____

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

THIS IS A SIGNATURE PAGE TO THE
AGREEMENT OF LIMITED PARTNERSHIP OF
MILLENNIUM PIPELINE COMPANY, L.P.

IN WITNESS WHEREOF, this Agreement is executed as of the date first set forth above.

LIMITED PARTNERS:

Columbia Gas Transmission Corporation,
a Delaware corporation

By:____
Printed Name:________________________________
Title:____

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

THIS IS A SIGNATURE PAGE TO THE
AGREEMENT OF LIMITED PARTNERSHIP OF
MILLENNIUM PIPELINE COMPANY, L.P.

IN WITNESS WHEREOF, this Agreement is executed as of the date first set forth above.

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MCNIC Millennium Company,
a Michigan corporation

By:_______________________________________
Printed Name:_______________________________
Title:____________________________________

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

THIS IS A SIGNATURE PAGE TO THE
AGREEMENT OF LIMITED PARTNERSHIP OF
MILLENNIUM PIPELINE COMPANY, L.P.

IN WITNESS WHEREOF, this Agreement is executed as of the date first set forth above.

TransCanada PipeLine USA Ltd.,
a Nevada corporation

By:_______________________________________
Printed Name:_______________________________
Title:____________________________________

By:_______________________________________
Printed Name:_______________________________
Title:____________________________________

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

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THIS IS A SIGNATURE PAGE TO THE
AGREEMENT OF LIMITED PARTNERSHIP OF
MILLENNIUM PIPELINE COMPANY, L.P.

IN WITNESS WHEREOF, this Agreement is executed as of the date first set forth above.

Westcoast Energy (U.S.) Inc.,
a Delaware corporation

By:____
Printed Name:_________________________________
Title:______________________________________

By:____
Printed Name:_________________________________
Title:______________________________________

THIS IS A SIGNATURE PAGE TO THE
AGREEMENT OF LIMITED PARTNERSHIP OF
MILLENNIUM PIPELINE COMPANY, L.P.

EXHIBIT A

INITIAL PARTNERS, UNITS, PARTNERSHIP INTEREST AND INITIAL CAPITAL CONTRIBUTION

LIMITED PARTNERS

<TABLE>
<CAPTION>

LIMITED PARTNER	LIMITED PARTNER UNITS	LIMITED PARTNERSHIP INTEREST	INITIAL CAPITAL CONTRIBUTION
<S>	<C>	<C>	<C>
Columbia	4702.5	47.5%	US$6,748,969

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MCN	1039.5	10.5%	US$1,491,877
TransCanada	2079	21.0%	US$2,983,755
Westcoast	2079	21.0%	US$2,983,755
	------	------	
	9900	100.0%*	

</TABLE>

GENERAL PARTNER

<TABLE>
<CAPTION>

GENERAL PARTNER	GENERAL PARTNER UNITS	GENERAL PARTNERSHIP INTEREST	INITIAL CAPITAL CONTRIBUTION
<S>	<C>	<C>	<C>
Millennium Pipeline Management Company, L.L.C.	100	100.0%**	US$143,519

</TABLE>

----

* The Limited Partners, collectively, own 99.0% of the Partnership Interests.

** As owner of 100% of the General Partnership Interest, the General Partner owns 1.0% of the Partnership Interests.

EXHIBIT B

LIMITED PARTNER OWNERS

<TABLE>
<CAPTION>

LIMITED PARTNER	LIMITED PARTNER OWNER(S)	OWNERSHIP PERCENTAGE
<S>	<C>	<C>
Columbia	Columbia Energy Group, a Delaware corporation	100%
MCN	MCNIC Pipeline and Processing Company, a Michigan corporation	100%
TransCanada	TransCanada Pipelines Limited, a Canada corporation	100%
Westcoast	Westcoast Energy, Inc.,	100%

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a Delaware corporation

</TABLE>

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Exhibit 10CH

CONTRIBUTION AGREEMENT

BETWEEN

COLUMBIA GAS TRANSMISSION CORPORATION

AND

MILLENNIUM PIPELINE COMPANY, L.P.

DATED AS OF JULY 31, 1998

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Schedule I - Actions, Suits, Etc.

CONTRIBUTION AGREEMENT

THIS CONTRIBUTION AGREEMENT (this "Agreement") dated as of the 31st day of July, 1998, is by and between COLUMBIA GAS TRANSMISSION CORPORATION, a Delaware corporation ("Columbia"), and Millennium Pipeline Company, L.P., a Delaware limited partnership ("Millennium"). Columbia and Millennium may be referred to herein individually as a "Party" or collectively as the "Parties".

RECITALS:

A. Columbia owns the Assets located in the State of New York and the Commonwealth of Pennsylvania.

B. Columbia is a limited partner in Millennium, and pursuant to the Agreement of Limited Partnership of Millennium Pipeline Company, L.P. (the "LP Agreement"), Columbia has the right to contribute the Assets to Millennium as

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partial consideration for Columbia's limited partnership interest in Millennium.

C. The Parties desire to set forth the terms and conditions pursuant to which the Assets will be contributed by Columbia to Millennium.

NOW THEREFORE, in consideration of the premises and of the respective covenants, representations and warranties herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, do hereby covenant and agree as follows:

ARTICLE I.
DEFINITIONS

1.1 Capitalized terms used in this Agreement shall have the following meanings:

"Abandonment Application" shall mean Columbia's application filed with the FERC in Docket No. CP 98-151-000 for authority, inter alia, to abandon the Assets.

"Agreement" shall have the meaning set forth in the introductory paragraph hereof.

"AOC" shall mean the Administrative Order on Consent for Removal Actions, issued by the U.S. Environmental Protection Agency, Regions II, III, IV and V to Columbia, EPA Docket No. III-94-35-DC, with an effective date of February 23, 1995, as amended or supplemented.

"Assessment Report" shall mean the report prepared by Columbia and approved by EPA regarding the assessment and/or characterization of sites as required by the AOC, including any remedial recommendations.

"Assets" shall mean (1) all of the pipeline segments, measuring stations and compressor stations listed on pages 3, 4 and 5 of Exhibit Z-1 of the Abandonment Application, as amended or supplemented (the "Facilities"); (2) all appurtenant structures, facilities, equipment, supplies, machinery, fixtures and other items of tangible personal property located at or used to operate, maintain or manage the Facilities, including compression, measuring, regulating, communications, data, computer, laboratory and other equipment, tools, furniture and supplies; (3) all improvements to or replacements of the Facilities prior to the Effective Time, including any overpressure protection facilities constructed by Columbia at or adjacent to the Facilities pursuant to Section 2.55 of the FERC's NGA regulations; (4) all of the real estate owned by Columbia on which any of the Facilities are situated or which is necessary for the operation and maintenance of the Facilities; (5) all of Columbia's right, title and interest in any easements, rights-of-way, leases or other interests in real property on which any Facilities are situated or which are necessary for the operation and maintenance of the Facilities; (6) any and all assignable rights which Columbia may have pursuant to any easements, rights-of-way, leases or other interests in real property to construct, operate and maintain a natural gas pipeline and related facilities on the route approved in the Certificate Approval, as it may

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be amended; (7) all of the real estate owned by Columbia on which any of the pipeline segments listed on pages 1 and 2 of Exhibit Z-1 of the Abandonment Application, as amended or supplemented (the "Abandoned Facilities"), are situated; (8) all of Columbia's right, title and interest in any easements, rights-of-way, leases or other interests in real property on which any of the Abandoned Facilities are situated; and (9) all assignable rights which Columbia may have pursuant to any easements, rights-of-way, leases or other interests in real property to construct, operate and maintain a natural gas pipeline and related facilities adjacent to the Abandoned Facilities.

"Certificate Approval" shall mean the Final Order by FERC on Millennium's certificate application pursuant to Section 7(c) of the NGA granting the application and containing terms acceptable to Millennium.

"Columbia" shall have the meaning set forth in the introductory paragraph hereof.

"Corridor Assets" shall mean the Assets described in subsections (7), (8) and (9) of the definition of Assets.

"COWP" shall mean the Work Plan for Construction and Operations at Work Scope List Facilities, revised March 3, 1995, or the then-current version of the COWP as approved by EPA.

"Effective Time" shall mean 11:59 p.m., Eastern Time, on the date immediately preceding the date on which the Millennium Pipeline System commences service.

"Environmental Assessment" shall mean the assessment and/or characterization of locations as required by the AOC.

"EPA" shall mean the United States Environmental Protection Agency and any successor agency.

"FERC" shall mean the Federal Energy Regulatory Commission and any successor agency.

"Final Order" shall mean any order no longer subject to further proceedings before the FERC. An order shall be deemed to be a Final Order as of the date rehearing is denied or the date on which the right to seek rehearing expires.

"LP Agreement" shall have the meaning set forth in the recitals hereof.

"Millennium" shall have the meaning set forth in the introductory paragraph hereof.

"Millennium Pipeline System" shall mean the pipeline system and

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facilities authorized in the Certificate Approval.

"Net Book Value" shall mean with respect to the Assets the net book value as determined in accordance with FERC accounting standards and requirements, as the same are modified from time to time.

"NGA" shall mean the Natural Gas Act, 15 U.S.C.A. Section717, et seq.

"Response Action" shall mean any action required by the EPA pursuant to the AOC.

"Response Action Completion Final Report" shall mean that document and/or documents which verify Columbia's performance of Response Actions required by the AOC and is/are approved by EPA.

"Response Action Work Plan" shall mean that document and/or documents that is/are approved by the EPA and which describe(s) the manner in which Response Actions required by the AOC are to be carried out.

"Transfer Date" shall have the meaning set forth in Section 10.1 hereof.

"Work Scope List" or "WSL" shall mean the document titled "Work Scope List," dated March 23, 1995, submitted by Columbia to EPA pursuant to the AOC and conditionally approved by EPA on July 12, 1995, as amended or supplemented.

ARTICLE II.
CONTRIBUTION OF ASSETS

2.1 Upon and subject to the terms, conditions, representations and warranties set forth in this Agreement, and except as provided in Article VI hereof, Columbia agrees to assign, transfer and convey the Assets to Millennium and Millennium agrees to take delivery of and accept the assignment, conveyance and transfer of the Assets on the Transfer Date but effective for all purposes as of the Effective Time. Notwithstanding the foregoing, Columbia shall, if requested by Millennium, assign, transfer and convey certain portions of the Assets to Millennium prior to the

Transfer Date. In the event of an assignment, transfer and conveyance prior to the Transfer Date, (a) the Net Book Value of that portion of the Assets assigned, transferred and conveyed shall be determined as of the Effective Time regardless of the actual date of the assignment, transfer and conveyance, (b) Columbia shall have until the Transfer Date to be in compliance with representations contained in Section 7.1(d) hereof, (c) the conditions precedent set forth in Section 9.1(d) hereof shall have occurred and (d) the indemnities of the Parties contained in Sections 6.1(b) and (c) and in Article 8 hereof with respect to such Assets shall commence as of the actual date of the assignment,

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conveyance and transfer of such Assets to Millennium.

2.2 The assignment, transfer and conveyance of the Assets shall be subject to the limitations and restrictions, if any, contained in such documents of title, assignment and other similar documents necessary to assign, transfer and convey the Assets to Millennium. The Assets shall be assigned, transferred and conveyed to Millennium subject to the representations and warranties set forth herein. The transfer documents shall reflect Columbia's exceptions to title and reservation of rights as approved by Millennium.

2.3 The value of the Assets for purposes of determining the consideration for Columbia's contribution to Millennium pursuant to the LP Agreement shall be the Net Book Value of the Assets as of the Effective Time.

2.4 Anything in this Agreement to the contrary notwithstanding, Millennium (a) shall, if requested by Columbia, assign, transfer and convey to Columbia the Corridor Assets, at a mutually agreed value, which Columbia represents are necessary for Columbia to maintain natural gas transportation services for its shippers and (b) shall be entitled, at its sole discretion, to assign, transfer and convey to Columbia at no charge or cost to Columbia at any time within two years of the Effective Time any of the Corridor Assets which Millennium chooses not to retain, in which event Columbia agrees to take delivery of and accept such Corridor Assets.

ARTICLE III.
PROCEEDS, EXPENSES AND TAXES

3.1 Ownership, operation and risk of loss of the Assets shall, except to the extent that rights have been retained by Columbia pursuant to Section 2.2 herein, pass from Columbia to Millennium as of the Effective Time. If Columbia, at any time subsequent to the Effective Time, should receive any revenues or other proceeds attributable to any service provided through or by or related to the Assets occurring after the Effective Time, Columbia shall promptly remit all such revenues or proceeds to Millennium. If Millennium at any time subsequent to the Effective Time should receive any revenues or other proceeds attributable to any service provided through or by or related to the Assets for periods prior to the Effective Time, Millennium shall promptly remit all such revenues or proceeds to Columbia.

3.2 Except for Columbia's environmental obligations contemplated in Article VI hereof, Millennium shall be responsible for the payment of all costs and expenses, including expenses for all operating and capital expenses attributable to the Assets from and after the Effective Time.

3.3 Columbia shall be reimbursed by Millennium for any expenses paid by Columbia with respect to the Assets for non-environmental matters relating to the period of time on and after the Effective Time.

3.4 Any and all excise or transfer taxes due and payable as a result of

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the assignment, transfer and conveyance of the Assets and all sales taxes relating to the assignment, transfer and conveyance of Assets and any recording fees shall be paid by Millennium.

3.5 All real estate, property and other use or ad valorem taxes assessed against the Assets for the calendar year in which the Transfer Date occurs shall be paid by Columbia when due and payable. Millennium shall reimburse Columbia for Millennium's pro rata share of such taxes for the tax period which includes the Transfer Date within thirty (30) days after receipt of a request from Columbia. This provision shall survive the final settlement provisions of Article XI hereof.

3.6 For purposes of federal, state and local income and franchise taxes and other similar taxes, it is the express intent of the Parties that all of Columbia's right, title and interest in the Assets shall pass to Millennium as of the Effective Time, that Millennium shall bear all such taxes attributable to the Assets accruing on and after the Effective Time and that Columbia shall bear all taxes attributable to the Assets accruing prior to the Effective Time.

ARTICLE IV.
OPERATIONS AND FACILITIES

4.1 Columbia agrees that until the Assets are assigned, transferred and conveyed to Millennium it shall continue to maintain the Assets in their present operating condition (reasonable wear and tear excepted) in accordance with Columbia's standard maintenance practices.

4.2 Columbia shall keep in full force and effect its existing property and liability insurance on the Assets, subject to self-retention limits, until the Transfer Date.

4.3 Unless (a) this Agreement is terminated pursuant to Section 9.4 hereof or (b) Millennium elects not to proceed with its proposed project, Columbia shall not withdraw the Abandonment Application or amend the Abandonment Application in any manner which could reasonably be expected to have an adverse effect on Millennium.

ARTICLE V.
DISCLAIMER OF ALL WARRANTIES

SUBJECT TO THE PROVISIONS OF ARTICLE VI HEREOF, THE EXPRESS REPRESENTATIONS OF COLUMBIA CONTAINED IN ARTICLE VII HEREOF AND IN THE DOCUMENTS WHICH ASSIGN, TRANSFER AND CONVEY THE ASSETS TO MILLENNIUM ARE EXCLUSIVE, AND COLUMBIA EXPRESSLY DISCLAIMS AND NEGATES, AND MILLENNIUM HEREBY WAIVES, ALL OTHER REPRESENTATIONS AND WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, WITH RESPECT TO ANY ITEMS OF EQUIPMENT, IMPROVEMENTS, FIXTURES AND APPURTENANCES ASSIGNED, TRANSFERRED AND

CONVEYED AS PART OF THE ASSETS WHICH ARE ASSIGNED, TRANSFERRED AND CONVEYED, AND

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MILLENNIUM ACCEPTS SUCH ITEMS "AS IS, WHERE IS, WITH ALL FAULTS" AND THERE ARE NO WARRANTIES THAT EXTEND BEYOND THE FACE OF THIS AGREEMENT. MILLENNIUM FURTHER ACKNOWLEDGES THAT THIS WAIVER IS CONSPICUOUS.

ARTICLE VI.
ENVIRONMENTAL MATTERS

6.1 Columbia shall have the following environmental obligations with respect to the Assets:

(a) Columbia is obligated by the AOC to conduct an Environmental Assessment and, if appropriate, to prepare a Response Action Completion Final Report to address environmental conditions at WSL locations, and Columbia and Millennium agree that such work shall be at Columbia's cost and expense. Columbia's obligations and liabilities under the AOC and this Agreement in regard to the Assets which are at WSL locations shall continue until such Environmental Assessment, as evidenced by an Assessment Report, and, if necessary, a Response Action Completion Final Report, are approved by EPA or until such locations are removed from the WSL by EPA.

(b) Columbia shall conduct an Environmental Assessment of the Assets as required by the AOC, the results of which shall be set forth in an Assessment Report. Columbia shall furnish Millennium with a copy of any such Assessment Report upon its approval by EPA. Columbia shall obtain approval of the Response Action Work Plan from EPA and shall furnish evidence of that approval to Millennium. Following the completion of the Response Actions required by EPA, Columbia shall furnish Millennium a copy of the Response Action Completion Final Report approved by EPA, including evidence of such approval. Such approvals by EPA shall be binding on Millennium. Columbia shall be responsible for and shall indemnify and hold Millennium, its partners, employees, officers, agents, representatives and, if applicable, their respective shareholders, harmless from and against any and all losses, liabilities, claims, demands, suits, judgments, fines, penalties and costs of any kind or character with respect to all environmental conditions related to the Assets to the extent that the environmental conditions arose out of Columbia's ownership, control or operation of the Assets prior to the Effective Time.

(c) Millennium shall be responsible for and indemnify and hold Columbia, its directors, employees, officers, agents, representatives and shareholders harmless from and against any and all losses, liabilities, claims, demands, suits, judgments, fines, penalties and costs of any kind or character with respect to all environmental conditions related to the Assets: (i) caused by the

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actions or omissions of Millennium or a third party after the Effective Time, including subsequent transferees, whether or not such conditions are located at WSL locations and (ii) to the extent any environmental conditions arise after the Effective Time. The scope of this indemnification shall include, but not be limited to, claims by any governmental or other third party for damages, study or cleanup of the Assets beyond that required under the AOC, and statutory or common law claims of third parties for bodily injury or property damage based on or relating to environmental conditions at or emanating from the Assets.

6.2 Columbia represents that it has furnished Millennium with true and correct copies of the AOC, the WSL and the COWP. Columbia, as soon as practicable following EPA approval, shall provide Millennium a copy of any changes to the AOC, WSL and COWP. Millennium hereby (a) acknowledges receipt of said copies of the AOC, the WSL and the COWP and (b) accepts and acknowledges that the Assets are subject to regulation under environmental laws of the states in which they are located and of the United States of America.

6.3 Millennium agrees (a) not to alter the Assets or to take any action with regard to the Assets that would impede Columbia's compliance with the AOC or COWP, and (b) that Millennium's activities and operations of the Assets will be conducted in compliance with the AOC and the COWP.

6.4 After the Effective Time, for the period required by Columbia to discharge its obligations under this Article VI, upon reasonable notice, Millennium shall provide Columbia, EPA, their employees, agents, representatives and contractors, the right to enter onto and have access to the Assets in accordance with Section 12 of the AOC. In providing such access, Millennium shall not interfere with, delay or prohibit Columbia's compliance with or EPA's exercise of authority under the AOC. Millennium shall cooperate with Columbia and use all commercially reasonable means to provide Columbia and EPA access to the Assets as promptly as possible upon notice.

6.5 Millennium shall notify Columbia of proposed earth-disturbing activities as defined in the COWP with respect to Assets which are at WSL locations at a time and in a manner to be agreed upon by Columbia and Millennium. Upon such notification, Columbia shall use reasonable efforts to perform the necessary Environmental Assessment and, if necessary, to obtain a Response Action Completion Final Report to address any environmental conditions in accordance with the AOC and COWP prior to Millennium's proposed earth-disturbing activities.

6.6 Millennium shall notify Columbia at the earliest possible time of its intent to transfer ownership or to delegate material or substantial operation of Assets which are at WSL locations and for which Columbia has not performed an Environmental Assessment and, if necessary, received a Response Action Completion Final Report. Upon such notification, Columbia shall use reasonable

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efforts to perform Environmental Assessments and remediation, if necessary, prior to such transfer of ownership or operation by Millennium of such Assets. Millennium agrees it shall not transfer ownership or delegate material or substantial operation of Assets which are WSL locations until such time as Columbia has received EPA approval of an Environmental Assessment and, if necessary, a

Response Action Completion Final Report or until such locations are removed from the WSL. In the event of any such delegation or transfer, Millennium shall ensure that, as a condition to such transfer or delegation, the transferee or party to whom the operation of the Assets has been delegated shall agree to be bound by the obligations of Millennium under this Article VI. Notwithstanding the preceding sentence, nothing contained herein shall relieve Millennium from such obligations.

6.7 In the event of a situation occurring at Assets which are at WSL locations where immediate action is required for the protection of life, health or maintenance of physical property, and earth disturbance as defined in the AOC is required to remedy the situation, Millennium shall perform the earth-disturbing activity in accordance with the AOC and the emergency procedures specified in the COWP. Millennium shall immediately notify Columbia of any such situation and shall cooperate with Columbia in regard to such actions necessary to ensure compliance with the AOC and COWP.

6.8 If Columbia, its employees, agents, representatives or contractors enter upon Millennium's property in order to identify or address any obligations imposed upon Columbia by this Article VI, Millennium shall indemnify Columbia and hold Columbia harmless from any and all claims and liabilities resulting from such claims, asserted by Millennium's employees, representatives, contractors or agents arising from the presence of Columbia or its employees, representatives, contractors or agents on the subject property to identify or address any obligations imposed on Columbia by this Article VI, so long as such claims do not arise from the gross negligence or willful misconduct of Columbia and/or Columbia's employees, agents, representatives or contractors.

6.9 Columbia reserves the right to negotiate such modifications, amendments or supplements to the AOC, COWP and WSL as it in its sole discretion deems necessary or advisable; provided, however, that Columbia shall not modify, amend or supplement the AOC, COWP or WSL without consulting with Millennium if such modifications, amendments or supplements could reasonably be expected to have an adverse impact on Millennium or the Millennium Pipeline System. Nothing in this Agreement shall be construed to impose a separate, contractual obligation on the part of Columbia to take any action with respect to the Assets that is not required by the AOC, COWP or WSL. With respect to Assets for which a Response Action Completion Final Report has been received or which has been removed from the WSL, nothing in this Agreement shall be construed to impose an obligation upon Columbia to perform any work to comply with new or more stringent environmental standards or requirements as may be incorporated into a subsequent amendment or supplement to the AOC, COWP or WSL.

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ARTICLE VII.
REPRESENTATIONS AND WARRANTIES

7.1 As of the Transfer Date, Columbia represents and warrants to Millennium as follows:

(a) Columbia is a duly organized, validly existing corporation in good standing under the laws of the State of Delaware, with full corporate power and authority to engage in the business in which it is now engaged.

(b) Columbia has the corporate authority to execute, deliver and perform this Agreement. The execution, delivery and performance of this Agreement by Columbia has been duly authorized by all necessary corporate action and no additional corporate or FERC approvals or authorizations are required in connection with Columbia's execution, delivery and performance of this Agreement. Neither the execution and delivery of this Agreement nor the consummation of the transactions herein contemplated will violate the articles of incorporation or other governing documents of Columbia or will result in any breach or default under any agreement or other instrument to which Columbia is a party;

(c) Neither the execution and delivery of this Agreement nor (assuming receipt of a Final Order approving the Abandonment Application) the consummation of the transactions contemplated by this Agreement will violate any statute or regulation applicable to Columbia in any material respect, or any order or decree of any court or governmental authority applicable to Columbia;

(d) Other than as provided for in Schedule I attached hereto and made a part hereof, as supplemented on the Transfer Date, Columbia (i) has no actual knowledge of any actions, suits or administrative proceedings or investigations pending or threatened against Columbia that relate in any respect to the Assets and is not in default with respect to any order, injunction or decree of any court or governmental department, commission, board or agency relating to the Assets; (ii) has no actual knowledge of any outstanding claims or demands relating to damage to property arising out of Columbia's ownership, operation or maintenance of the Assets; and (iii) has no actual knowledge of and has not received any notice from any governmental body or official thereof of any material violation of any law, order or regulation relating to the ownership, maintenance and operation of the Assets;

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(e) The Assets are owned by Columbia and are being assigned, transferred and conveyed to Millennium free and clear of all claims, mortgages, liens and encumbrances arising by, through or under Columbia, but not further;

(f) That portion of the Assets consisting of tangible property has been maintained in good repair and working condition, subject to reasonable wear and tear;

(g) The financial statements used to determine the Net Book Value are complete, true and correct in all material respects;

(h) That there have not been, except as may have been disclosed to Millennium, any material adverse changes in the condition of Assets between the effective date of this Agreement and the Transfer Date; and

(i) Columbia has not made any regulatory applications, other than the Abandonment Application, relating to the Assets.

7.2 As of the Transfer Date, Millennium represents and warrants to Columbia as follows:

(a) Millennium is a duly organized, validly existing limited partnership in good standing under the laws of the State of Delaware, with full partnership power and authority to engage in the business in which it is now engaged.

(b) Millennium has the partnership authority to execute, deliver and perform this Agreement. The execution, delivery and performance of this Agreement by Millennium has been duly authorized by all necessary partnership action and no additional partnership or FERC approvals or authorizations are required in connection with Millennium's execution, delivery and performance of this Agreement. Neither the execution and delivery of this Agreement nor the consummation of the transactions herein contemplated will violate the LP Agreement or other governing documents of Millennium or will result in any breach or default under any agreement or other instrument to which Millennium is a party.

(c) There are no pending or threatened legal actions or suits with respect to Millennium or its properties and assets which in any way affect consummation of the transactions contemplated hereby and Millennium is not subject to any judgment, order, decree, seizure or lien which would adversely affect the transactions contemplated hereby.

(d) Except for the Abandonment Application, Millennium has

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obtained or will be solely responsible for obtaining any permits, licenses or consents required by any governmental authority or other entity in connection with the use and occupancy of the Assets, whether necessary due to the non-transferability of any permit, license or consent comprising the Assets or for any other reason.

(e) Neither the execution and delivery of this Agreement, nor the consummation of the transactions herein contemplated, will violate any statute or regulation applicable to Millennium, or any order or decree of any court or governmental authority applicable to Millennium.

ARTICLE VIII.
INDEMNIFICATION

8.1 Millennium shall indemnify, defend and hold Columbia, its employees, directors, officers, agents and its shareholders harmless from and against any and all losses, liabilities, claims, demands, suits, judgments, fines, penalties and costs of any kind or character, whether groundless or not, (a) that accrue or relate to any period of time after the Effective Time with respect to the Assets, (b) that arise from Millennium's failure to comply with Millennium's obligations as set forth

herein in Article VI hereof or (c) that result from any material breach by Millennium of any representations, warranties, covenants or agreements which survive the assignment, transfer and conveyance of the Assets to Millennium pursuant to this Agreement. If a claim involves a claim by a third party against Columbia for which Millennium has an indemnification obligation, Millennium may, at its sole discretion and expense, assume the defense of such claim.

8.2 Columbia shall indemnify, defend, and hold Millennium, its partners, employees, officers, agents, representatives, and, if applicable, their respective shareholders, harmless from and against any and all losses, liabilities, claims, demands, suits, judgments, fines, penalties and costs of any kind or character, whether groundless or not, (a) that accrue or relate to any period of time prior to the Effective Time, (b) that arise from Columbia's failure to comply with Columbia's obligations as set forth in Article VI hereof or (c) that result from any material breach by Columbia of any representations, warranties, covenants or agreements which survive the assignment, transfer and conveyance of the Assets to Millennium pursuant to this Agreement. If a claim involves a claim by a third party against Millennium for which Columbia has an indemnification obligation, Columbia may, at its sole discretion and expense, assume the defense of such claim. Columbia's obligations under this Section 8.2 shall terminate on the date that is two (2) years after the Effective Time, except with respect to its obligations relating to matters arising under Article VI hereof, if any, which shall terminate in accordance with the terms of that section, and provided that Columbia's obligations, if any, under this Section 8.2 shall continue after the expiration of such two (2) year period with respect

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to claims that were asserted during such two (2) year period and as to which Millennium made a proper claim for indemnification by Columbia under this Section 8.2 during such two (2) year period.

8.3 The provisions of this Article VIII shall survive the Transfer Date.

8.4 Nothing contained in this Article VIII is intended to limit the indemnification obligations of the Parties pursuant to Section 6.1(b) and (c) hereof which shall survive indefinitely.

ARTICLE IX.
CONDITIONS PRECEDENT AND TERMINATION

9.1 All obligations of Columbia under this Agreement are subject to fulfillment of each of the following conditions precedent:

(a) All of the representations and warranties made by Millennium under Section 7.2 hereof shall be true and correct as of the Transfer Date;

(b) Millennium shall have performed and complied in all material respects with all agreements, provisions and conditions required by this Agreement to be performed or complied with by Millennium prior to or at the Transfer Date;

(c) The Certificate Approval shall have occurred;

(d) Prior to or on the Transfer Date, Columbia shall have: (i) received a Final Order approving the Abandonment Application on terms which are not materially different than those set forth in the Abandonment Application and (ii) received all other necessary regulatory approvals that are required in order for Columbia to consummate the transactions contemplated by this Agreement; and

(e) Subject to Section 9.3 hereof, there shall be no bona fide suit, action or other proceeding or investigation before any court or before any governmental agency or submission by any governmental agency of information relating to the subject matter of the transactions contemplated by this Agreement nor any other bona fide material claim or demand pending in which the consummation of this Agreement or the transactions contemplated hereby may be restrained, prohibited, invalidated, set aside or delayed in whole or in part.

9.2 All obligations of Millennium under this Agreement are subject to fulfillment of each of the following conditions precedent:

(a) All of the representations and warranties made by Columbia

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under Section 7.1 hereof shall be true and correct as of the Transfer Date;

(b) Columbia shall have performed and complied in all material respects with all agreements, provisions and conditions required by this Agreement to be performed or complied with by Columbia prior to or on the Transfer Date;

(c) Prior to or on the Transfer Date, Columbia shall have received (i) a Final Order approving the Abandonment Application and (ii) all other necessary regulatory approvals that are required in order for Columbia to consummate the transactions contemplated by this Agreement;

(d) Prior to or on the Transfer Date, Columbia shall have obtained a release of the Assets from Columbia's Wilmington Trust Company mortgage;

(e) If necessary, Columbia shall have notified the EPA of the transfer contemplated herein thirty (30) days prior to the Transfer Date;

(f) There shall be no bona fide suit, action or other proceeding or investigation before any court or governmental agency nor any other bona fide material claim or demand, pending in which the consummation of this Agreement or the transactions contemplated hereby may be restrained, prohibited, invalidated, set aside or delayed in whole or in part;

(g) Millennium has obtained satisfactory financing for the construction of the Millennium Pipeline System; and

(h) Millennium has constructed all or substantially all of the Millennium Pipeline System.

9.3 Notwithstanding the provisions of Section 9.1(e) above, the resolution of proceedings before the United States Court of Appeals with respect to one or more petitions for review of a Final Order granting the Certificate Approval and approving the Abandonment Application shall not constitute a condition precedent of Columbia's obligations under this Agreement if Millennium (a) notifies Columbia that all of the conditions precedent set forth in Section 9.2 hereof have been satisfied or waived, (b) indemnifies and holds Columbia, its directors, employees, officers, agents, representatives and shareholders harmless from and against any and all losses, claims, demands, suits, judgments, fines, penalties and costs of any kind or character arising from or relating to the fact that Columbia transferred, conveyed and assigned the Assets to Millennium while any such suit, action or proceeding was pending and (c) provides Columbia with a guaranty or guarantees of the indemnification obligations of Millennium pursuant to this Section 9.3 or other form of credit

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support from an entity or entities with a rating of BBB or better by Standard & Poor's (or an equivalent rating by another rating agency) acceptable to Columbia.

9.4 This Agreement may be terminated on the following terms and conditions:

(a) By mutual agreement of the Parties;

(b) By either Party if the conditions set forth in Sections 9.1 and 9.2 hereof are not met or waived by December 31, 2000;

(c) By Millennium if Millennium elects not to proceed with the construction of the proposed project; and

(d) By Columbia if Columbia receives a notice from Millennium that Millennium has elected not to proceed with the construction of the proposed project.

ARTICLE X.
TRANSFER DATE

10.1 The assignment, transfer and conveyance of the Assets shall take place on a date which is not more than ten (10) days after date on which Millennium places the Millennium Pipeline System in service and shall take place at a time and place to be mutually agreed upon between the Parties (the "Transfer Date").

10.2 On the Transfer Date the following events shall occur, each being a condition precedent to the others and each being deemed to have occurred simultaneously with the others:

(a) Columbia shall execute, acknowledge and deliver to Millennium assignment, transfer and conveyance documents and such other instruments as may be

necessary to assign, transfer and convey to Millennium the Assets in the manner contemplated by this Agreement;

(b) Columbia shall deliver to Millennium possession of the Assets and Millennium shall take possession of the Assets as of the Effective Time; and

(c) Columbia and Millennium shall prepare a preliminary settlement statement showing all known costs and expenses owed or due at the Transfer Date, subject to the preparation of a final settlement statement to be prepared in accordance with Section 11.2 hereof.

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ARTICLE XI.
OBLIGATIONS AFTER THE TRANSFER DATE

11.1 Except for the Abandonment Application and as otherwise provided in this Agreement, Millennium shall obtain any permits, licenses or consents required by any governmental authority or other entity in connection with the use and occupancy of the Assets, whether necessary due to the non-transferability of any such permit, license or consent, or for any other reason. The obtaining of any such permits, licenses or consents shall be the sole responsibility and liability of Millennium.

11.2 Within one hundred eighty (180) days after the Transfer Date, a final settlement statement shall be prepared by Millennium and shall be agreed upon by Millennium and Columbia.

11.3 If the assignment, transfer and conveyance of the Assets occurs, Millennium and Columbia shall be deemed to have waived, to the fullest extent permitted under applicable law, any right to contribution, set-off or recoupment against each other and any and all rights, claims and causes of action they may have against each other arising under or based on any federal, state or local statute, law, ordinance, rule or regulation or common law or otherwise; provided, however, that nothing contained herein shall be deemed to constitute a waiver of any rights, claims or causes of action that either Party may have against the other Party for a breach of any of the covenants to be performed by such other Party at any time after the Effective Time or any other provisions of this Agreement that survive the Transfer Date in accordance with Article VIII hereof.

11.4 If the assignment, transfer and conveyance of the Assets occurs, the sole and exclusive remedy of the Parties with respect to any claim arising out of the assignment, transfer and conveyance of the Assets shall be pursuant to the express provisions of this Agreement. Columbia and Millennium acknowledge that the payment of money, as limited by the terms of this Agreement, shall be adequate compensation for breach of any covenant or agreement contained herein or for any other claim arising in connection with or with respect to the transactions contemplated in this Agreement. As the payment of money shall be adequate compensation, Millennium and Columbia waive any right to rescind this Agreement or any of the transactions contemplated hereby. The Parties acknowledge that prior to the Transfer Date there will be no adequate remedy at law for Millennium for a breach of the covenants and agreements of Columbia contained herein. It is accordingly agreed that, in addition to any other remedies that may be available to Millennium upon

the breach by Columbia of such covenants and agreements, Millennium shall have the right to obtain injunctive relief to restrain any breach or threatened breach of the covenants or agreements or to otherwise obtain specific performance of any such covenants and agreements.

ARTICLE XII.

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DOCUMENTATION

12.1 Prior to or on the Transfer Date, Columbia, at Millennium's request and expense, shall furnish or make available for inspection and copying to Millennium, its affiliates, partners and their representatives, the following materials:

(a) Copies of all deeds, leases, easements, rights-of-way, licenses, permits and other grants of rights or authority utilized by Columbia in connection with the construction, operation, repair and maintenance of the Assets;

(b) Copies of all maps and construction, design, engineering and other data pertinent to the construction, operation, repair and maintenance of the Assets. Such information shall include any U.S. Department of Transportation, Office of Pipeline Safety records and reports, all available records relating to materials, supplies and maintenance work performed and all reports relating to inspection of the Assets;

(c) All available records relating to assessment, appraisal, entry and payment of taxes relating to the Assets;

(d) All notices, certificates, orders, fines and other communications from any pertinent government regulatory authority relating to construction, maintenance, repair or operation of the Assets and to compliance with applicable law or regulations; and

(e) All notices, claims or demands from any person, legal entity, government authority or subdivision relating to the validity of any easement, right-of-way, privilege, license or permit of Columbia in connection with the Assets.

ARTICLE XIII.
MISCELLANEOUS PROVISIONS

13.1 It is the intent of Millennium to acquire and of Columbia to assign, transfer and convey all of Columbia's interest in the Assets except as provided in Article II hereof. In the event that any interest owned by Columbia in the Assets are omitted or incorrectly described herein, the Parties agree to execute the documents necessary to effect the intent stated herein.

13.2 Except to the extent otherwise provided herein, each Party hereto shall pay its own expenses incidental to the preparation of this Agreement, the carrying out of the provisions of this Agreement and the consummation of the transactions contemplated hereby.

13.3 Each Party shall cooperate with the other Party in its efforts to

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obtain any regulatory authorization necessary to consummate the transactions contemplated under this Agreement.

13.4 All notices, requests, demands, consents, waivers or other communications hereunder shall be in writing and shall be deemed given when delivered personally or upon receipt by the addressee if deposited in the United States first-class mail or United States registered or certified mail, return receipt requested, postage prepaid, as follows:

If to Millennium to:

Millennium Pipeline Company, L.P.
c/o Millennium Pipeline Management Company, L.L.C.,
General Partner
12801 Fair Lakes Parkway
P. O. Box 10146
Fairfax, VA 22030-0146
Attn: Mr. David C. Pentzien
Telephone: (703) 337-3200
Telecopy: (703) 227-3225

If to Columbia, to:

Columbia Gas Transmission Corporation
12801 Fair Lakes Parkway
Fairfax, VA 22030
Telephone: (703) 227-3200
Telecopy: (703) 227-3225

or to such other address or party at that address as may be designated by prior written notice by the Party entitled to receive such written notice.

13.5 All section headings are for convenience only and shall in no way modify or restrict any of the provisions thereof.

13.6 This Agreement shall be governed by and interpreted in accordance with the laws of the State of New York (without reference to its conflict of laws provisions).

13.7 This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors by law of the Parties; provided, however, that no assignment shall be made without prior written consent of the other Party which consent shall not be unreasonably withheld. This Agreement may not be amended or terminated except by written instrument signed by the Parties or as provided herein.

13.8 This Agreement was drafted by the joint effort of the Parties and neither Party shall be deemed to have predominated in or controlled the

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drafting.

13.9 Nothing in this Agreement shall entitle any person other than the Parties or their respective successors and assigns permitted hereby to any claim, cause of action, remedy or right of any kind. There are no intended third-party beneficiaries to this Agreement.

13.10 This Agreement and the exhibits and schedules hereto collectively constitute the entire agreement between the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties relating to the subject matter hereof except as specifically set forth in this Agreement, and neither of the Parties shall be bound by or liable for any alleged representation, promise, inducement or statements of intention not so set forth.

13.11 This Agreement may be executed in several counterparts, each of which shall be an original. This Agreement and any counterparts so executed shall be deemed to be one and the same instrument. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for any of the other counterparts.

13.12 If any section or provision of this Agreement shall be held by any court of competent jurisdiction to be illegal, void or unenforceable, such section or provision shall survive to the extent enforceable as allowed by law, but the illegality or unenforceability of any such section or provision shall have no effect upon and shall not impair the enforceability of any other section or provision of this Agreement.

13.13 The obligations of Columbia under this Agreement shall remain in full force and effect if Columbia becomes a "Withdrawing Limited Partner" as that term is defined in the LP Agreement.

[THE REMAINDER OF THIS PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, Columbia and Millennium have caused this Agreement to be executed as of July 31, 1998.

COLUMBIA GAS TRANSMISSION
CORPORATION

By:____
Printed Name: ______________________________
Title: ____________________________________

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MILLENNIUM PIPELINE COMPANY, L.P.,
a Delaware limited partnership

By: Millennium Pipeline Management Company, L.L.C., a Delaware limited liability company, its General Partner

By: ____
David C. Pentzien, Chairman

SIGNATURE PAGE TO
CONTRIBUTION AGREEMENT

SCHEDULE I - ACTIONS, SUITS, ETC.

1. AOC
2. Mortgage in favor of Wilmington Trust Company

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Exhibit 10-CI

REGULATIONS

OF

MILLENNIUM PIPELINE MANAGEMENT COMPANY, L.L.C.

A DELAWARE LIMITED LIABILITY COMPANY

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REGULATIONS

OF

MILLENNIUM PIPELINE MANAGEMENT COMPANY, L.L.C.

A Delaware Limited Liability Company

These REGULATIONS OF MILLENNIUM PIPELINE MANAGEMENT COMPANY, L.L.C. (these "Regulations"), dated effective as of May 31, 1998, are executed and agreed to by the Members (as defined below).

PREAMBLE

The Members have formed the Company (defined below) to serve as the general partner of Millennium Pipeline Company, L.P. (defined below) which is being formed to construct and own an interstate natural gas transmission system (the "Millennium Pipeline System") extending from an interconnection with a natural gas transmission system to be owned and operated by TransCanada PipeLines Limited at the border between the United States and Canada in Lake Erie to a terminus in Westchester County, New York. The Members anticipate that the Millennium Pipeline System will be project financed and will be in service by the end of 2000.

The Members currently own all of the issued and outstanding Membership Interests (as defined below) in the Company, including, without limitation, rights to distribution (liquidating or otherwise), allocations, information, consent and approval. In order to maintain competent management of the Company, to encourage and promote the business opportunities of the Members and the Company, to provide for continuity of the present ownership of the Company and to impose certain restrictions and obligations on the Membership Interests, the Members desire to execute these Regulations upon the terms and conditions contained herein.

For and in consideration of the mutual covenants and agreements hereinafter contained and for other good and valuable consideration, the full receipt and sufficiency of which is hereby expressly acknowledged, the Members agree as follows:

MEMBERSHIP INTERESTS IN MILLENNIUM PIPELINE MANAGEMENT COMPANY, L.L.C. HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED UNLESS SUBSEQUENTLY REGISTERED UNDER SUCH ACTS OR UNLESS AN

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EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE. THIS AGREEMENT CONTAINS ADDITIONAL RESTRICTIONS ON SALES AND OTHER TRANSFERS OF MEMBERSHIP INTERESTS.

ARTICLE 1.

DEFINITIONS

1.01 Definitions. As used in these Regulations, the following terms have the following meanings throughout these Regulations when capitalized:

(a) "AAA" shall have the meaning set forth in Section 14.03 hereof.

(b) "Abstaining Member" means a Member that has elected to abstain from voting on any matter put to a vote of the Members.

(c) "Act" means the Delaware Limited Liability Company Act, 6 Del. C. Section 18-101 et seq. and any successor statute, as amended from time to time.

(d) "Action" shall have the meaning set forth in Section 9.01 hereof.

(e) "Additional Capital Contributions" means an amount of cash which a Member is committed to contribute to the Company pursuant to Section 4.02 hereof.

(f) "Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant Allocation Year, after giving effect to the following adjustments:

(i) Credit to such Capital Account any amounts which such Member is deemed to be obligated to restore pursuant to the penultimate sentences in Sections 1.704-2(g)(1) and 1.704-2(i)(5) of the Treasury Regulations; and

(ii) Debit to such Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-1(b)(2)(ii)(d)(6) of the Treasury Regulations.

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations and shall be interpreted consistently therewith.

(g) "Affiliate" means, with respect to any Person any other Person that directly or indirectly through one or more intermediaries controls or is controlled by or is under common control with the Person. The terms "controls", "controlled by" and "under common control with" shall mean the possession, directly or indirectly or through one or more intermediaries, of more than fifty percent (50%) of the outstanding voting stock of, or the power to direct or cause the direction

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of the management policies of any Person, whether through ownership of stock, as a general partner or trustee, by contract or otherwise.

(h) "Affiliate Transaction" means a business transaction between the Company or the Partnership and any Member, Limited Partner or any Affiliate thereof; provided, however, that "Affiliate Transaction" shall not include the Project Agreements or any transaction between the Partnership and a Member or a Limited Partner or any Affiliate thereof for transmission of natural gas or other services offered by the Partnership relating to the Millennium Pipeline System.

(i) "Allocation Year" means (i) the period commencing on the Effective Date and ending on December 31, 1998, (ii) any subsequent twelve (12) month period commencing on January 1 and ending on December 31 or (iii) any portion of the periods described in clauses (i) or (ii) for which the Company is required to allocate Profits, Losses and other items of Company income, gain, loss or deduction pursuant to Article 5 hereof.

(j) "Available Cash" means all cash funds of the Company on hand from time to time (other than cash funds obtained as Capital Contributions and cash funds obtained from loans to the Company) after (i) payment of all operating expenses of the Company as of such time, (ii) provision for the payment of all outstanding and unpaid current obligations of the Company as of such time and (iii) provision for a working capital reserve in an amount to be determined by the Members.

(k) "Bankrupt Member" means a Member that becomes subject to a Bankruptcy.

(l) "Bankruptcy" means, with respect to any Person, a Voluntary Bankruptcy or an Involuntary Bankruptcy. A "Voluntary Bankruptcy" means, with respect to any Person (i) the inability of such Person generally to pay its debts as such debts become due or an admission in writing by such Person of its inability to pay its debts generally or a general assignment by such Person for the benefit of creditors, (ii) the filing of any petition or answer by such Person seeking to adjudicate itself as bankrupt or insolvent, or seeking for itself any liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of such Person or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking, consenting to or acquiescing in the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for such Person or for any substantial part of its property or (iii) corporate action taken by such Person to authorize any of the actions set forth above. An "Involuntary Bankruptcy" means, with respect to any Person, without the consent or acquiescence of such Person, the entering of an order for relief or approving a petition for relief or reorganization or any other petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or other similar relief under any present or future bankruptcy, insolvency or similar statute, law or regulation, or the filing of any such petition against such Person which petition shall not be dismissed within ninety (90) days, or, without the consent or acquiescence of such Person, the entering of an order appointing a trustee, custodian, receiver or liquidator of such Person

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or of all or any substantial part of the property of such Person which order shall not be dismissed within ninety (90) days.

(m) "Base Interest Rate" means a rate per annum equal to the lesser of (a) two percent (2%) plus the Prime Rate and (b) the maximum rate permitted by applicable law.

(n) "Budget" means the annual operating budget for the Company and the Partnership prepared by the Management Committee and approved by the Members as provided in these Regulations and any other budget approved by the Members.

(o) "Business Day" means any day other than a Saturday, Sunday or a holiday on which national banking associations in the State of New York are closed.

(p) "Capacity Lease and Exchange Agreement" means that certain Capacity Lease and Exchange Agreement to be entered into between the Partnership and Columbia relating to the lease of capacity by Columbia on the Millennium Pipeline System.

(q) "Capital Account" means, with respect to any Member, the Capital Account maintained for such Member in accordance with the following provisions:

(i) To each Member's Capital Account there shall be credited (A) such Member's Capital Contributions, (B) such Member's distributive share of Profits and any items in the nature of income or gain which are specially allocated pursuant to Sections 5.03 or 5.04 hereof and (C) the amount of any Company liabilities assumed by such Member or which are secured by any Property distributed to such Member; provided, however, that the principal amount of a promissory note which is not readily traded on an established securities market and which is contributed to the Company by the maker of the note (or a Member related to the maker of the note within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(c)) shall not be included in the Capital Account of any Member until the Company makes a taxable disposition of the note or until (and to the extent) principal payments are made on the note, all in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(d)(2);

(ii) To each Member's Capital Account there shall be debited (A) the amount of money and the Gross Asset Value of any property distributed to such Member pursuant to any provision of these Regulations, (B) such Member's distributive share of Losses and any items in the nature of expenses or losses which are specially allocated pursuant to Sections 5.03 or 5.04 hereof and (C) the amount of any liabilities of such Member assumed by the Company or which are secured by any property contributed by such Member to the Company;

(iii) In the event Membership Interests are transferred in accordance with the terms of these Regulations, the transferee shall succeed to the Capital Account of the transferor in proportion to the Membership Interest transferred; and

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(iv) In determining the amount of any liability for purposes of subparagraphs (i) and (ii) above, there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Treasury Regulations.

(v) The foregoing provisions and the other provisions of these Regulations relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulations Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such Treasury Regulations. In the event the Members shall determine that it is prudent to modify the manner in which the Capital Accounts or any debits or credits thereto (including, without limitation, debits or credits relating to liabilities which are secured by contributed or distributed property or which are assumed by the Company or any Member), are computed in order to comply with such Treasury Regulations, the Members may make such modification, provided that it is not likely to have a material effect on the amounts distributed to any Person pursuant to Article 13 hereof upon the dissolution of the Company. The Members also shall make (i) any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Members and the amount of capital reflected on the Company's balance sheet, as computed for book purposes, in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(q), and (ii) any appropriate modifications in the event unanticipated events might otherwise cause these Regulations not to comply with Treasury Regulations Section 1.704-1(b).

(r) "Capital Contributions" means, with respect to any Member, the amount of money and/or the initial Gross Asset Value of any property other than money (net of any liabilities assumed or taken subject to) actually contributed to the Company with respect to the Membership Interests held or purchased by such Member, including, without limitation, Initial Capital Contributions, Scheduled Capital Contributions and Additional Capital Contributions.

(s) "Certificate" or "Certificate of Formation" means the certificate of formation filed with the Secretary of State of the State of Delaware pursuant to the Act to form the Company, as originally executed and amended, modified, supplemented or restated from time to time, as the context requires, and as described in Section 2.01 hereof.

(t) "Certificate of Dissolution" means the certificate of dissolution filed with the Secretary of State of the State of Delaware pursuant to the Act to dissolve the Company, as described in Section 13.04 hereof.

(u) "Change in Control" means the Disposition of (i) a controlling interest in a Member to a Person that is not an Affiliate of the Member or (ii) a controlling interest in a Member Owner to a Person that is not an Affiliate of the Member Owner or the Member; provided, however,

that "Change in Control" shall not include a Disposition of the interests of such Member Owner in the Millennium Pipeline System, held through the Member, which exceeds eighty percent (80%) of the value of such Member Owner. For purposes of this subsection 1.01(u)(ii), (A) a Disposition shall not include a mortgage, pledge, grant of a security interest or other disposition or

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encumbrance and (B) "controlling interest" shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies of a Person (whether through ownership of securities, partnership, limited liability company or other ownership interests by contract or otherwise).

(v) "Code" means the United States Internal Revenue Code of 1986, as amended from time to time, and any successor statute.

(w) "Columbia" means Columbia Gas Transmission Corporation, a Delaware corporation.

(x) "Commitment Voting Date" means the date on which the Members make the determination to commit the Partnership to purchase all or substantially all of the pipe necessary to construct the Millennium Pipeline System or such other date as determined to be appropriate by the Members to commit to commence construction of the Millennium Pipeline System, taking into consideration criteria developed by the Management Committee from time to time; provided, however, that any vote of the Members which is intended to establish the Commitment Voting Date shall not occur earlier than thirty (30) days after the date notice for such vote is sent to the Members pursuant to Section 15.04 hereof.

(y) "Company" means Millennium Pipeline Management Company, L.L.C., a Delaware limited liability company.

(z) "Contribution Agreement" means that certain Contribution Agreement to be entered into between the Partnership and Columbia relating to the contribution of Columbia of property as part of its Capital Contribution to the Partnership.

(aa) "Contribution Date" shall have the meaning set forth in Section 4.02 hereof.

(bb) "Credit Support Documents" means (i) a guaranty or (ii) such other form of credit support acceptable to the Members.

(cc) "Debt" means (i) any indebtedness for borrowed money or the deferred purchase price of property as evidenced by a note, bonds or other instruments, (ii) obligations as lessee under capital leases, (iii) obligations secured by any mortgage, pledge, security interest, encumbrance, lien or charge of any kind existing on any asset owned or held by the Company whether or not the Company has assumed or become liable for the obligations secured thereby, (iv) any obligation under any interest rate swap agreement, (v) accounts payable and (vi) obligations under direct or indirect guarantees of (including obligations, contingent or otherwise, to assure a creditor against loss in respect of) indebtedness or obligations of the kinds referred to in clauses (i),

(ii), (iii), (iv) and (v), above; provided that Debt shall not include obligations in respect of any accounts payable that are incurred in the ordinary course of the Company's business and are either not delinquent or are being contested in good faith by appropriate proceedings.

(dd) "Delinquent Member" shall have the meaning set forth in Section

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4.03(a) hereof.

(ee) "Depreciation" means, for each Allocation Year, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such Allocation Year, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Allocation Year, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization or other cost recovery deduction for such Allocation Year bears to such beginning adjusted tax basis; provided, however, that, if the adjusted basis for federal income tax purposes of an asset at the beginning of such Allocation Year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method approved by the Members.

(ff) "DGCL" means the Delaware General Corporation Law and any successor statute, as amended from time to time.

(gg) "Dispose," "Disposing" or "Disposition" shall each mean a sale, assignment, transfer, exchange, mortgage, pledge, grant of a security interest or other disposition or encumbrance (including, without limitation, by operation of law).

(hh) "Dispute" shall have the meaning set forth in Section 14.01 hereof.

(ii) "Dissolution Event" shall have the meaning set forth in Section 13.01 hereof.

(jj) "Effective Date" means the last to occur of (i) the date these Regulations are executed by the initial Members and (ii) the date the Certificate of Formation is filed with the Secretary of State of the State of Delaware.

(kk) "Encumbrance" means any security interest, mortgage, pledge, claim, lien, charge, option, right of first refusal, preferential purchase right, defect, encumbrance or other right or interest in the assets of a Person.

(ll) "Excess Withholding Liability" means any amount of withholding due from a foreign Member's share of allocable income in excess of the Available Cash which, but for the withholding requirement, would have been distributed to such Member during such Allocation Year.

(mm) "FERC" means the Federal Energy Regulatory Commission or any commission, agency or other governmental body succeeding to the power of such commission under the Natural Gas Act.

(nn) "General Interest Rate" means a rate per annum equal to the lesser of (i) one percent (1%) plus the Prime Rate and (ii) the maximum rate permitted by applicable law.

(oo) "Gross Asset Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

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(i) The initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset, as determined by the Members;

(ii) The Gross Asset Values of all Company assets shall be adjusted to equal their respective gross fair market values (taking Code Section 7701(g) into account), as determined by the Members as of the following times: (A) the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a de minimis Capital Contribution; (B) the distribution by the Company to a Member of more than a de minimis amount of property as consideration for an interest in the Company; provided, that either or both of the adjustments described in clauses (A) and (B) of this paragraph shall be made only if the Members reasonably determine that such adjustment is necessary to reflect the relative economic interests of the Members;

(iii) The Gross Asset Value of any item of Company assets distributed to any Member shall be adjusted to equal the gross fair market value (taking Code Section 7701(g) into account) of such asset on the date of distribution as determined by the Members; and

(iv) The Gross Asset Values of Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Sections 734(b) or 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m) and subparagraph (vi) of the definition of "Profits" and "Losses" or Section 5.3(c) hereof; provided, however, that Gross Asset Values shall not be adjusted pursuant to this subparagraph (iv) to the extent that an adjustment pursuant to subparagraph (ii) of this subsection (pp) is required in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph (iv).

If the Gross Asset Value of an asset has been determined or adjusted pursuant to subparagraph (ii) or (iv) above, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses.

(pp) "Information Request" shall have the meaning set forth in Section 14.03 hereof.

(qq) "Initial Capital Contributions" means the amount in cash contributed to the Company pursuant to Section 4.01 hereof by the Members.

(rr) "In-Service Date" shall have the meaning set forth in subsection 3.14(c) hereof.

(ss) "Interested Matters Voting Procedures" shall have the meaning set forth in Section 7.01(d) hereof.

(tt) "Lake Crossing Agreement" means that certain Lake Crossing Agreement to be entered into between TransCanada or an Affiliate of TransCanada

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and Columbia in its capacity as the project developer under the Project Development Agreement relating to the construction of the segment of the Millennium Pipeline System which will pass under Lake Erie.

(uu) "Limited Partner" means a limited partner of the Partnership.

(vv) "Losses" shall have the meaning set forth in Section 1.01 (vvv) hereof.

(ww) "Majority Approval" means the approval by one or more Members having among them in excess of 50% of the Membership Interests of all Members that are not Withdrawing Members.

(xx) "Management Committee" shall have the meaning set forth in Section 7.02(d) hereof.

(yy) "Market Value" means that price that a willing and able buyer would pay to a Member willing to sell its Membership Interest, or a portion thereof, neither being under any compulsion to buy or to sell, and both having reasonable knowledge of the relevant facts. The Market Value of a Membership Interest shall be determined by a duly qualified and experienced appraiser mutually acceptable to the Members. If the Members are unable to agree on such an appraiser within fifteen (15) days of the event giving rise to the need for an appraiser, each Member shall select an experienced and qualified appraiser within five (5) days and these two appraisers shall select a third appraiser within ten (10) days. This third appraiser shall then determine the Market Value of the Membership Interests for which an appraisal is sought. The Market Value so determined shall be binding on all Members.

(zz) "MCN" means MCNIC LLC Millennium Company, a Michigan corporation.

(aaa) "Member Agreement" means any written agreement entered into among all Members that are not Withdrawing Members.

(bbb) "Member Nonrecourse Debt" shall have the same meaning as the term "member nonrecourse debt" in Section 1.704-2(b)(4) of the Treasury Regulations.

(ccc) "Member Nonrecourse Debt Minimum Gain" means an amount, with respect to each Member Nonrecourse Debt, equal to the Company Minimum Gain that would result if such Member Nonrecourse Debt were treated as nonrecourse as determined in accordance with Section 1.704-2(i)(3) of the Treasury Regulations.

(ddd) "Member Nonrecourse Deductions" shall have the same meaning as the term "member nonrecourse deductions" in Sections 1.704-2(i)(1) and 1.704-2(i)(2) of the Treasury Regulations.

(eee) "Member Owner" means the Person or Persons that own, of record or beneficially, all of the capital stock or equity interests in a Member.

(fff) "Members" collectively means those Persons adopting and executing these Regulations on the date hereof or any Person hereafter admitted

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to the Company as a Member in accordance with these Regulations, but does not include any Person who has ceased to be a Member as provided in these Regulations.

(ggg) "Membership Interest" means the percentage ownership interest of a Member in the Company, including without limitation, rights to distributions (liquidating or otherwise), allocations, information, and to consent to or approve actions of the Company. The initial Membership Interest of each Member shall be as set forth on Exhibit A hereof. The Membership Interest of each Partner shall be adjusted from time to time (i) based upon the Capital Contributions made by the Members in accordance with Article 4 hereof, with the Membership Interest of each Member being equal to a fraction, the numerator of which is a Member's cumulative Capital Contributions and the denominator of which is the cumulative total of all Members' Capital Contributions; and (ii) upon the withdrawal of a Member, in which case the Membership Interest of the Withdrawing Member shall, as of the Withdrawal Effective Date, be distributed pro rata among all of the non-withdrawing Members in a portion equal to the ratio of (A) the pre-withdrawal Membership Interest of such non-withdrawing Member to (B) the sum of all pre-withdrawal Membership Interests of all non-withdrawing Members.

(hhh) "Millennium Pipeline System" shall have the meaning set forth in the Preamble to these Regulations.

(iii) "Millennium Pipeline Company, L.P." means that certain Delaware limited partnership with the Company, as general partner, and Columbia, MCN, TransCanada and Westcoast, each as limited partners. This term may be used interchangeably with "Partnership".

(jjj) "MOU" means that certain Memorandum of Understanding dated as of December 1, 1997, among Columbia, Westcoast Energy (U.S.) Inc., MCN Investment Corporation and TransCanada PipeLines Limited, as amended, modified and extended.

(kkk) "Net Cash Flow" means the gross cash proceeds of the Company less the portion thereof used to pay or establish working capital reserves for all Company expenses, debt payments, capital improvements, replacements and contingencies, all as determined by the Members. Net Cash Flow shall not be reduced by depreciation, amortization, cost recovery deductions or similar allowances, but shall be increased by any reductions of reserves previously established pursuant to the first sentence of this definition.

(lll) "Nonrecourse Deductions" shall have the same meaning as set forth in Section 1.704-2(b)(1) of the Treasury Regulations.

(mmm) "Nonrecourse Liability" shall have the same meaning as set forth in Section 1.704-2(b)(3) of the Treasury Regulations.

(nnn) "Notice Period" shall have the meaning set forth in Section 3.07 hereof.

(ooo) "Offeree Member" shall have the meaning set forth in Section 3.07 hereof.

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(ppp) "O&M Agreement" means that certain Operations, Maintenance and Management Services Agreement to be entered into by the Partnership and Columbia pertaining to the operation and maintenance of the Millennium Pipeline.

(qqq) "Partnership" means Millennium Pipeline Company, L.P.

(rrr) "Partnership Agreement" means the Agreement of Limited Partnership of Millennium Pipeline Company, L.P., as the same may be amended and modified from time to time.

(sss) "Person" shall have the meaning set forth in Section 18-101(12) of the Act.

(ttt) "Precedent Agreements" means the Precedent Agreements entered into on behalf of the Partnership with proposed customers of the Partnership for the transmission of natural gas through the Millennium Pipeline System.

(uuu) "Prime Rate" means the fluctuating per annum rate of interest announced from time to time by Citibank, N.A. as its "Prime Rate".

(vvv) "Profits" and "Losses" mean, for each Allocation Year, an amount equal to the Company's taxable income or loss for such Allocation Year, determined in accordance with Code Section 703(a) (for purposes of such determination, all items of income, gain, loss, or

deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments (without duplication):

(i) Any income of the Company exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this definition of "Profits" and "Losses" shall be added to such taxable income or loss;

(ii) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(i) and not otherwise taken into account in computing Profits or Losses pursuant to this definition of "Profits" and "Losses" shall be subtracted from such taxable income or loss;

(iii) In the event the Gross Asset Value of any Company asset is adjusted pursuant to subparagraphs (ii) or (iii) of the definition of Gross Asset Value, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the Gross Asset Value of the asset) or an item of loss (if the adjustment decreases the Gross Asset Value of the asset) from the disposition of such asset and shall be taken into account for purposes of computing Profits or Losses;

(iv) Gain or loss resulting from any Disposition of Property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the

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Property Disposed of, notwithstanding that the adjusted tax basis of such Property differs from its Gross Asset Value;

(v) In lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Allocation Year, computed in accordance with the definition of Depreciation;

(vi) To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) is required, pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Membership Interest, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) from the Disposition of such asset and shall be taken into account for purposes of computing Profits or Losses; and

(vii) Notwithstanding any other provision of this definition, any items which are specially allocated pursuant to Sections 5.03 or 5.04 hereof shall not be taken into account in computing Profits or Losses.

The amounts of the items of Company income, gain, loss or deduction available to be specially allocated pursuant to Sections 5.03 and 5.04 hereof shall be determined by applying rules analogous to those set forth in subparagraphs (i) through (vi) above.

(www) "Project Agreements" means the Capacity Lease and Exchange Agreement, the Contribution Agreement, the Lake Crossing Agreement, the O&M Agreement, the Project Development Agreement and the Precedent Agreements, as the same may be amended and modified from time to time.

(xxx) "Project Development Agreement" means that certain Project Development and Management Services Agreement to be entered into between the Partnership and Columbia relating to the development and construction of the Millennium Pipeline System.

(yyy) "Property" means any property owned or leased by the Company.

(zzz) "PUHCA" means the Public Utility Holding Company Act of 1935, as amended.

(aaaa)"PUHCA Company" shall have the meaning set forth in Section 3.09 hereof.

(bbbb)"Reconstitution Period" shall have the meaning set forth in Section 13.05 hereof.

(cccc)"Regulations" shall have the meaning set forth in the introductory paragraph hereof.

(dddd)"Regulatory Allocations" shall have the meaning set forth in Section 5.04 hereof.

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(eeee)"Required Accounting Practices" means generally accepted accounting principles as practiced in the United States at the time prevailing for companies engaged in a business similar to the Company or, if inconsistent therewith, the accounting rules and regulations, if any, at the time prescribed by the regulating body or bodies under the jurisdiction of which the Company is at the time operating.

(ffff)"Required Interest" means the affirmative vote of the Members as required by Section 7.01 hereof.

(gggg)"Sale Notice" shall have the meaning set forth in Section 3.07 hereof.

(hhhh)"Scheduled Capital Contributions" shall have the meaning set forth in Section 4.01 hereof.

(iiii)"Super Majority Approval" means Majority Approval plus, if there are four (4) Members that are not Withdrawing Members, the affirmative vote of not fewer than three (3) Members. If there are fewer than four (4) Members that are not Withdrawing Members or if the Interested Matters Voting Procedures are applicable, "Super Majority Approval" means the approval by one or more Members having among them in excess of 66-2/3% of the Membership Interests of all Members that are not Withdrawing Members.

(jjjj)"System Modification" shall mean any facilities to be installed or action to be taken costing in excess of One Million Dollars (US$1,000,000) to modify, improve, expand or increase the capacity of the Millennium Pipeline System or any portion thereof after the Commitment Voting Date (except in connection with customary maintenance and except for modifications which in the reasonable judgment of the Chairman of the Management Committee (a) do not result in an expansion of the capacity or a change in the essential design of the Millennium Pipeline System or (b) are necessary to comply with applicable environmental or safety requirements).

(kkkk)"Third Party Terms" shall have the meaning set forth in Section 3.07 hereof.

(llll)"TransCanada" means TransCanada PipeLine USA Ltd., a Nevada corporation.

(mmmm) "Treasury Regulations" means the Income Tax Regulations, including Temporary Regulations, promulgated under the Code, as such regulations are issued, supplemented and amended from time to time.

(nnnn)"UCC" means the Uniform Commercial Code of the State of Delaware, as amended from time to time.

(oooo) "Unanimous Approval" means the affirmative vote of the Member or Members with all of the Membership Interests of all Members that are not Withdrawing Members.

(pppp)"Westcoast" means Westcoast Power Marketing Inc., a Delaware

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corporation.

(qqqq)"Withdrawal Effective Date" shall have the meaning set forth in subsection 3.14(b) hereof.

(rrrr)"Withdrawal Notice" shall have the meaning set forth in Section 3.14(a) hereof.

(ssss)"Withdrawal Period" shall have the meaning set forth in Section 3.14(f) hereof.

(tttt)"Withdrawing Member" shall have the meaning set forth in Section 3.14(a) hereof.

Other capitalized terms defined in other sections of these Regulations have the meanings given them in such sections throughout the Regulations.

1.02 Construction. The headings in these Regulations are inserted for convenience of reference only and shall not affect the interpretation of these Regulations. Whenever the context requires, each term stated in either the singular or the plural shall include the singular and the plural, and the gender of all words used in these Regulations includes the masculine, the feminine and the neuter. Except as otherwise noted, references to Articles and Sections refer to articles and sections of these Regulations and all references to Exhibits are to exhibits attached hereto, each of which is made a part hereof for all purposes. Use of the word "including" shall mean without limitation by reason of enumeration.

ARTICLE 2.

ORGANIZATION

2.01 Formation. The Company has been organized under the Act as a Delaware limited liability company. The Secretary of State of Delaware issued a Certificate of Formation on May 22, 1998 (the "Certificate"), upon the filing of a Certificate of Formation for the Company by the organizer.

2.02 Name. The name of the Company is "Millennium Pipeline Management Company, L.L.C." and all Company business shall be conducted in that name or such other names that comply with applicable law as the Members may select from time to time.

2.03 Registered Office; Registered Agent; Principal Office in the United States; Other Offices. The registered office of the Company required by the Act to be maintained in the State of Delaware shall be in the office of the initial registered agent named in the Certificate or such other office (which need not be a place of business of the Company) as the Members may designate from time to time in the manner provided by law. The registered agent of the Company in the State of Delaware shall be the initial registered agent named in the Certificate or such other Person or Persons as the Members may designate from time to time in the manner provided by law. The principal office of the Company in the United States shall be at such place as the Members may designate from time to time,

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which need not be in the State of Delaware, and the Company shall maintain records there. The Company may have such other offices as the Members may designate from time to time.

2.04 Purposes. The purposes of the Company are those set forth in the Certificate. Notwithstanding the provision in the Certificate relating to the Company's purposes, the Members agree that, solely with respect to these Regulations, the internal affairs of the Company and the

relationship of the Members, the purpose of the Company is to acquire and own a general partnership interest in and to act as general partner of the Partnership and to engage in any other business or activity that now or hereafter may be necessary, incidental, proper, advisable or convenient to accomplish the foregoing purpose that is not forbidden by the law of the jurisdiction in which the Company engages in that business.

2.05 Foreign Qualification. Prior to the Company's conducting business in any jurisdiction other than Delaware, the Members shall cause the Company to comply, to the extent procedures are available and those matters are reasonably within the control of the Members, with all requirements necessary to qualify the Company as a foreign limited liability company in that jurisdiction. At the request of the Member(s), each Member shall execute, acknowledge, swear to and deliver all certificates and other instruments conforming with these Regulations that are necessary or appropriate to qualify, continue or terminate the Company as a foreign limited liability company in all such jurisdictions in which the Company may conduct business.

2.06 Term. The Company commenced effective as of the Effective Date and shall continue in existence for the period fixed in the Certificate for the duration of the Company, or such earlier time as these Regulations may specify.

2.07 Mergers and Exchanges. The Company may be a party to a merger or an exchange or acquisition of the type described in Section 18-209 of the Act.

2.08 Tax Partnership; No State-Law Partnership. The Members intend that the Company be taxed as a partnership under the Code, but that the Company not be a partnership (including, without limitation, a limited partnership) or joint venture, and that no Member be a partner or joint venturer of any other Member, for any purposes other than federal and state tax purposes, and these Regulations shall not be construed to suggest otherwise.

ARTICLE 3.

MEMBERSHIP; DISPOSITIONS OF INTERESTS

3.01 Initial Members. The initial Members are the Persons executing these Regulations as Members as of the date of these Regulations, each of which is admitted as a Member effective contemporaneously with the execution of these Regulations by such Member.

3.02 Membership. The initial Members shall all be of the same class. Each Member shall make the Initial Capital Contributions identified on Exhibit A and the initial Membership Interests shall be as set forth on Exhibit A. Each Member

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shall be entitled to one (1) vote for its Membership Interest in the Company on all matters presented to the Members for a vote, and the vote of each Member shall be determined on the basis of the Membership Interest of each Member.

3.03 Representations and Warranties.

(a) In General. As of the date hereof, each Member hereby makes each of the representations and warranties applicable to such Member as set forth below, and such warranties and representations shall survive the execution and adoption of these Regulations.

(b) Representations and Warranties. Each Member hereby represents and warrants that:

(i) Due Incorporation or Formation; Authorization of Regulations. Such Member is a corporation duly organized or a partnership, limited liability company or other entity duly formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation and has the corporate, partnership or company power and authority to own its property and carry on its business as owned and carried on as of the date hereof and as contemplated hereby. Such Member is duly licensed or qualified to do business and is in good standing in each of the jurisdictions in which the failure to be so licensed or qualified would have a material adverse effect on its financial condition or its ability to perform its obligations hereunder. Such Member has the corporate, partnership or company power and authority to execute and deliver these Regulations and to perform its obligations hereunder, and the execution, delivery and performance of these Regulations has been duly authorized by all necessary corporate, partnership or company action. These Regulations constitute the legal, valid and binding obligation of such Member.

(ii) No Conflict with Restrictions; No Default. Neither the execution, delivery and performance of these Regulations nor the consummation by such Member of the transactions contemplated hereby will (i) conflict with, violate or result in a breach of any of the terms, conditions or provisions of any law, regulation, order, writ, injunction, decree, determination or award of any court, governmental department, board, agency or instrumentality, domestic or foreign, or any arbitrator, applicable to such Member, (ii) conflict with, violate, result in a breach of, or constitute a default under any of the terms, conditions or provisions of the articles or certificate of incorporation, bylaws, partnership agreement or operating agreement of such Member or of any material agreement or instrument to which such Member is a party or by which such Member is or may be bound or to which any of its material properties or assets is subject, (iii) conflict with, violate, result in a breach of, constitute a default under (whether with notice or lapse of time or both), accelerate or permit the acceleration of the performance required by, give to others any material interests or rights, or require any consent, authorization or approval under any indenture, mortgage, lease agreement or instrument to which such Member is a party or by which such Member is or may be bound or (iv) result in the creation or imposition of any lien upon any of the material properties or assets of

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such Member.

(iii) Governmental Authorizations. Any registration, declaration or filing with, or consent, approval, license, permit or other authorization or order by, any

governmental or regulatory authority, domestic or foreign, that is required in connection with the valid execution, delivery, acceptance and performance by such Member under these Regulations or the consummation by such Member of any transaction contemplated hereby has been completed, made or obtained on or before the date hereof.

(iv) Litigation. There are no actions, suits, proceedings or investigations pending or, to the knowledge of such Member, threatened against or affecting such Member or any of its properties, assets or businesses in any court or before or by any governmental department, board, agency or instrumentality, domestic or foreign, or any arbitrator which could, if adversely determined (or, in the case of an investigation, could lead to any action, suit or proceeding, which if adversely determined) could reasonably be expected to materially impair such Member's ability to perform its obligations under these Regulations or to have a material adverse effect on the consolidated financial condition of such Member; and such Member has not received any currently effective notice of any default, nor is such Member in default, under any applicable order, writ, injunction, decree, permit, determination or award of any court, governmental department, board, agency, or instrumentality, domestic or foreign, or any arbitrator which could reasonably be expected to materially impair such Member's ability to perform its obligations under these Regulations or to have a material adverse effect on the consolidated financial condition of such Member.

(v) Investment Company Act. Such Member is not, nor will the Company as a result of such Member holding an interest therein be, an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940.

(vi) Investigation. Such Member is acquiring its Membership Interest based upon its own investigation, and the exercise by such Member of its rights and the performance of its obligations under these Regulations will be based upon its own investigation, analysis and expertise. Such Member is the sole party in interest as to its participation in the Company and such Member's acquisition of its Membership Interest is being made for its own account for investment and, in particular, such Member has no present agreement, understanding or arrangement to (A) subdivide its Membership Interest, (B) hold its Membership Interest in trust for any other Person or (C) Dispose of any portion thereof to any other Person except for the disposition of any Member's Membership Interest to an Affiliate of such Member. Such Member is a sophisticated investor possessing an expertise in analyzing the benefits and risks associated with acquiring investments that are similar to the acquisition of its Membership Interest. Prior to the acquisition of its Membership Interest, such Member and its representatives, if any, have had the opportunity to obtain ample information concerning the Company and

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its proposed activities.

(vii) Ownership. Exhibit B hereto identifies the Member Owner(s) for each Member.

3.04 Restrictions on the Disposition of Membership Interests.

(a) Except as specifically provided in this Section 3.04, a Disposition of all or part of a Membership Interest may not be affected without the approval of the Required Interest. Any attempted Disposition by a Person of a Membership Interest or other right in the Company other than in accordance with this Section 3.04 shall be, and it hereby is, declared null and void ab initio. Notwithstanding the foregoing, the Membership Interest of any Member may be Disposed of without the approval of the Required Interest if such Disposition (i) is to an Affiliate and (ii) does not violate any provision of the Partnership Agreement.

(b) No Member shall have the right to Dispose of a Membership Interest or any part thereof, nor shall any Person have the right to request admission to the Company as a Member in connection with such Disposition, prior to the occurrence of the following events:

(i) either--

(A) the Membership Interest or part thereof subject to the Disposition or admission must be registered under the Securities Act of 1933, as amended, and any applicable state securities laws, or

(B) the Company must receive a favorable opinion by the Company's legal counsel or by other legal counsel acceptable to the Members to the effect that the Disposition or admission is exempt from registration under those laws; and

(ii) the right of first refusal set forth in Section 3.07 hereof shall have lapsed;

provided, however, the Members may waive the requirements of this Section 3.04(b).

(c) The Member effecting a Disposition of all or any part of a Membership Interest, and any Person admitted as a Member in connection therewith, shall pay or reimburse the Company for all costs incurred by the Company in connection with such Disposition or admission (including, without limitation, the legal fees incurred in connection with the legal opinions referred to in Section 3.04(b) hereof)on or before the tenth (10th) day after the receipt by the Member or that Person of the Company's invoice for the amount due. If payment is not made by the due date, the Person owing that amount shall pay interest on the unpaid amount from the date due until paid, at a rate per annum equal to the Base Interest Rate.

(d) Notwithstanding the provisions of this Section 3.04, any

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purported Disposition of all or any part of a Membership Interest shall be both ineffective and invalid if such Disposition is (i) in violation of any provision of the Partnership Agreement or (ii) not completed

contemporaneously with the Disposition of an equivalent percentage of the limited partnership interest of the Member or its Affiliate that is a limited partner in the Partnership.

3.05 Additional Members. Additional Persons may be admitted as Members, and Membership Interests may be created and issued to those Persons and to existing Members with the approval of the Required Interest, on such terms and conditions as the Members may determine at the time of admission. Upon the creation and issuance of Membership Interests to any Person as an additional Member of the Company, the Members shall reexamine and, if necessary, redetermine the meaning of "Super Majority Approval." The terms of admission or issuance must specify the Membership Interests applicable thereto and may provide for the creation of different classes or groups of Members having different rights, powers and duties. The Members shall reflect the creation of any new class or group in an amendment to these Regulations indicating the different rights, powers and duties. Any such admission shall be effective only after the new Member has executed and delivered to the Members a document including such new Member's notice address, its agreement to be bound by these Regulations, and its representation and warranty that the representations and warranties in Section 3.03 hereof are true and correct with respect to the new Member. The provisions of this Section 3.05 shall not apply to (i) Dispositions of Membership Interests or (ii) the admission of new Persons in substitution of any existing Member.

3.06 Membership Interests. For purposes of this Article 3, a Change in Control shall be deemed to be a Disposition of a Membership Interest, and, as such, shall be subject to the restrictions on the Disposition of a Membership Interest contained in Section 3.04 hereof.

3.07 Rights of First Refusal.

(a) Subject to Section 3.09 hereof, at any time following the Effective Date, any Member desiring to Dispose of all or any part of its Membership Interest to a Person other than an Affiliate shall first have received a written offer from the prospective purchaser, and, as a condition precedent to its right to sell the Membership Interest, the selling Member shall notify the Company and the other Members of its intention to Dispose of all or a specified part of its Membership Interest. The notice shall be in writing setting forth in detail the name of the prospective purchaser and the terms and conditions of the proposed Disposition (the "Sale Notice") and shall offer to Dispose of such Member's Membership Interest in the Company at the same price and on the same terms and conditions ("Third Party Terms"). The Members' wholly owned subsidiaries and designated Affiliates (each an "Offeree Member") shall have the right within thirty (30) days after the delivery of the Sale Notice (the "Notice Period") to purchase the Membership Interest on the Third Party Terms. If more than one Offeree Member desires to purchase the remaining Membership Interest, such Membership Interest shall be purchased by Offeree Members in the proportion that each Offeree Member's Membership Interest bears to the sum of all Offeree Member's Membership Interests. In the event the

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Offeree Members do not elect to purchase all of the Membership Interests offered by the selling Member on the Third Party Terms, then the selling Member shall be free to Dispose of the Membership Interests in accordance with the Sale Notice, subject to the other terms of these Regulations including Section 3.04 which shall apply to any transferee. If such Disposition

does not occur within thirty (30) days after termination of the Notice Period, the selling Member shall be required to again comply with all the provisions of this Section 3.07.

(b) If any Third Party Terms contemplate that all or any part of the purchase price for the proposed Disposition of a Membership Interest will be paid in any form other than cash, the fair market value of the offer shall be an amount (in U.S. dollars) determined as follows: (i) cash payable at closing shall be valued at the amount thereof in U.S. dollars, (ii) a security trading on a public market and for which published trading prices are readily available shall be valued at its closing sales price (or if a sales price is not available at the average of its closing bid and asked prices) on the last Business Day preceding the date of the offer with respect to such offer, and (iii) a security not described in clause (ii) or other property, including cash payable in one or more installments, shall be valued at its fair market value on the last Business Day preceding the date of the offer, as determined by a majority vote of the Members who are not Disposing Members, which determination shall be binding upon the Member for purposes of determining the fair market value of the offer. If the non-disposing Members, by majority vote, are unable or unwilling to agree on the fair market value of the offer, the Members shall select an independent appraiser to determine the fair market value of the offer, which determination shall be binding upon the Members for purposes of determining the fair market value of the offer.

3.08 Restrictions Applicable Upon Disposition. The restrictions of these Regulations will continue to be applicable upon the Disposition of any Membership Interest, and any Person acquiring a Membership Interest shall execute and become a party to these Regulations and shall hold such Membership Interest subject to all of the terms and conditions provided herein, and no further Disposition of such Membership Interest shall be made except in accordance with the terms and conditions provided herein.

3.09 PUHCA. Notwithstanding anything to the contrary in these Regulations, any Disposition or acquisition of a Membership Interest permitted in these Regulations shall not be permitted without approval of the Required Interest if the effect of such Disposition or acquisition would cause the Company or the Partnership to become (i) a "subsidiary company" of a "holding company"; (ii) an "affiliate" of a "holding company"; or (iii) an "affiliate" of a "subsidiary company" of a "holding company" (as such terms are defined in PUHCA) that is not exempt from the obligations, duties and liabilities imposed by PUHCA (collectively, a "PUHCA Company").

3.10 Remedies. The Company and/or any Member shall have the right to enforce its rights under this Article 3 by specific performance.

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3.11 Information; Confidentiality.

(a) In addition to the other rights specifically set forth in these Regulations, each Member is entitled to all information to which that Member is entitled to have access pursuant to Section 18-305 of the Act under the circumstances and subject to the conditions therein stated. Such information shall be available for review during normal business hours.

(b) The Members acknowledge that, from time to time, they may receive information from or regarding the Company in the nature of trade secrets or that otherwise is confidential, the release of which may be damaging to the Company or Persons with which it does business. Each Member shall hold in strict confidence any information it receives regarding the Company that is identified as being confidential (which includes oral and written information, provided that information provided in writing, it shall be so marked) and may not disclose it to any Person other than another Member, except for disclosures (i) compelled by law (but the Member must notify the other Members promptly of any request for that information before disclosing it, if practicable), (ii) to advisers or representatives of the Member or Persons to which a Member's Membership Interest may be Disposed as permitted by these Regulations, but only if the recipients have agreed to be bound by the provisions of this Section 3.11(b) or (iii) of information that a Member also has received from a source independent of the Company that the Member reasonably believes obtained that information without breach of any obligation of confidentiality. The Members acknowledge that breach of the provisions of this Section 3.11(b) may cause irreparable injury to the Company for which monetary damages are inadequate, difficult to compute, or both. Accordingly, the Members agree that the provisions of this Section 3.11(b) may be enforced by specific performance.

3.12 Legends. Any instrument representing a Membership Interest shall conspicuously bear the following legend:

THE SECURITIES REPRESENTED BY THIS INSTRUMENT ARE SUBJECT TO RESTRICTIONS ON TRANSFER AND CERTAIN OTHER AGREEMENTS SET FORTH IN THE REGULATIONS OF THE COMPANY DATED EFFECTIVE AS OF MAY 31, 1998, A COPY OF WHICH MAY BE OBTAINED BY THE REGISTERED HOLDER OF THIS INSTRUMENT AT THE COMPANY'S PRINCIPAL PLACE OF BUSINESS.

3.13 Liability to Third Parties. No Member shall be liable for the debts, obligations or liabilities of the Company, including under a judgment decree or order of a court.

3.14 Withdrawal and Effect of Withdrawal.

(a) Prior to the Commitment Voting Date and subject to subsections 3.14(b), (c) and (d) below, any Member may elect to withdraw as a Member from the Company by delivering notice of such Member's intention to withdraw to the Company and the other Members on or prior to the Commitment Voting Date

(the "Withdrawal Notice"). The Withdrawal Notice shall be invalid if the Member or the Member's Affiliate that is a

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partner in the Partnership does not also deliver a "Withdrawal Notice" pursuant to the Partnership Agreement. Any Member sending a valid Withdrawal Notice shall become a "Withdrawing Member." From and after the Commitment Voting Date, a Member shall have no right or power to withdraw as a Member from the Company.

(b) To the extent the withdrawal of any Member would have the effect of causing the Company to become a PUHCA Company, the Withdrawal Notice shall not immediately affect the withdrawal of the Member and withdrawal shall not occur until the earlier of (i) receipt of Unanimous Approval and (ii) two hundred seventy (270) days from the date of the Withdrawal Notice; provided, however, that the non-Withdrawing Members shall endeavor to accommodate the Withdrawing Member's withdrawal to become effective prior to the expiration of the time period described in subsection 3.14(b)(ii). If the withdrawal of the Withdrawing Member would not have the effect of causing the Company to become a PUHCA Company and the Withdrawing Member delivers to the Company and the non-Withdrawing Members a legal opinion to such effect, the effective date of the withdrawal shall be the tenth (10th) day following the Withdrawing Member's delivery of its Withdrawal Notice and such legal opinion. The effective date of withdrawal pursuant to this subsection 3.14(b) shall be referred to as the "Withdrawal Effective Date."

(c) Upon delivery of the Withdrawal Notice, the Withdrawing Member shall not (i) be entitled to any distributions from the Company, (ii) be entitled to have representation on any committee established by the Members or the Management Committee, or (iii) have any obligation to make additional Capital Contributions to the Company except Capital Contributions relating to the expenditure of funds by the Company which was approved by the Members prior to the delivery of the Withdrawal Notice and Scheduled Capital Contributions which are scheduled to be made prior to the delivery of the Withdrawal Notice. A Withdrawing Member shall be entitled to a return of the cash equivalent of the value of its Capital Contributions; provided, that such return of Capital Contributions shall not begin until after the date on which the Millennium Pipeline System is fully operational and in-service (the "In-Service Date"). Capital Contributions shall be returned to a Withdrawing Member if and when distributions are made to the non- Withdrawing Members as provided in these Regulations and shall be paid to the Withdrawing Member in one or more installments in amounts equal to the sum that the Withdrawing Member would have received if it had not become a Withdrawing Member (based upon the Withdrawing Member's Interest at

the time of becoming a Withdrawing Member) until the Withdrawing Member receives a sum equal to its aggregate

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Capital Contributions. The undistributed sums to be distributed to such Withdrawing Member shall begin to accrue interest at the General Interest Rate from a date which commences three (3) months after the In-Service Date.

(d) Except as provided in Section 3.14(b) hereof, withdrawal by a Member may not occur without Unanimous Approval if the effect of the withdrawal would be to cause the Company or the Partnership to become a PUHCA Company.

(e) Withdrawal under this Section 3.14 shall be treated for tax purposes as the redemption of all the Member's Membership Interest for one dollar ($1.00).

(f) If a Withdrawing Member is made a party to or is threatened to be made a party to or is involved in any Action or any appeal of an Action during the period between the date of the Withdrawal Notice and the Withdrawal Effective Date (the "Withdrawal Period") or if any Action is brought (whether during or after the Withdrawal Period) in which the Withdrawing Member is made a party based upon events transpiring during the Withdrawal Period, such Withdrawing Member shall be indemnified by the Company. The rights granted pursuant to this Section 3.14(f) shall be deemed contract rights, and no amendment, modification or repeal of this Section 3.14(f) after a Withdrawal Notice is delivered shall have the effect of limiting or denying any such rights granted hereunder to a Withdrawing Member.

(g) Notwithstanding any other provision of this Section 3.14, a Withdrawing Member shall be entitled to receive each financial report prepared for and distributed to the non-Withdrawing Members as required by Section 11.02 hereof until such time as the Withdrawing Member's Capital Contributions have been returned to such Withdrawing Member.

(h) The non-Withdrawing Members shall have the right but not the obligation for a period of sixty (60) days from the date of the Withdrawal Notice to purchase the Membership Interest of a Withdrawing Member for an amount equal to the aggregate Capital Contributions of the Withdrawing Member and such Membership Interest shall be sold free and clear of all claims, liens and encumbrances. If more than one non-Withdrawing Member elects to purchase the Membership Interest of the Withdrawing Member, such Members shall be entitled to purchase such Interest on a pro rata basis or in such other manner as they mutually agree.

3.15 Lack of Authority. Except as expressly provided for in these Regulations or with Unanimous Approval, no Member acting in its capacity as a Member shall have the authority or

power to act alone for or on behalf of the Company, to do any act that would be

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binding on the Company, or to incur any expenditures on behalf of the Company.

ARTICLE 4.

CAPITAL CONTRIBUTIONS

4.01 Initial and Scheduled Capital Contributions. Contemporaneously with the execution of these Regulations, each Member shall make the Initial Capital Contribution for that Member as designated on Exhibit A hereto. Each Member also agrees to make all future Capital Contributions necessary to permit the Company to make capital contributions to the Partnership required to be made by the Company as General Partner of the Partnership as determined from time to time by the Management Committee to fund expenditures approved in any Budget for the Partnership (the "Scheduled Capital Contributions") as well as any Additional Capital Contributions required to be made pursuant to these Regulations. No interest shall be paid on any Capital Contribution made by any Member.

4.02 Additional Capital Contributions. Without creating any rights in favor of any third party, each Member shall contribute to the Company, in cash, on or before the date specified as hereinafter described, its Membership Interest of (a) all monies required to cover all Additional Capital Contributions (as such term is defined in the Partnership Agreement) that may be assessed against the Company pursuant to the Partnership Agreement and (b) all monies required by the Budget or necessary in the judgment of the Members to enable the Company to cause the assets of the Company to be properly operated and maintained and to discharge its costs, expenses, obligations, and liabilities. The chairman of the Management Committee shall notify each Member of the need for Scheduled Capital Contributions or Capital Contributions pursuant to this Section 4.02 when appropriate, which notice shall include a statement in reasonable detail of the proposed uses of the Capital Contributions and a date (which date may be not earlier than the fifteenth (15th) Business Day following a Member's receipt of its notice) before which the Capital Contributions must be made (the "Contribution Date").

4.03 Failure to Contribute. If a Member fails to contribute all or any portion of a Capital Contribution that the Member (the "Delinquent Member") is required to make as provided in these Regulations and such failure continues for sixty (60) days from the Contribution Date, then the Delinquent Member shall be deemed to be a Withdrawing Member and shall be treated as a Withdrawing Member pursuant to Section 3.14 hereof effective as of the end of such sixty (60) day period; provided, however, a Delinquent Member shall not be entitled to (i) a return of any Capital Contributions (and shall forfeit the same) and (ii) the indemnification provided pursuant to Section 3.14(f) hereof. Throughout any period during which a Member is a Delinquent Member, the delinquent Capital Contribution, or any delinquent portion thereof, shall bear interest at a rate per annum equal to the lesser of (x) the sum of the Prime Rate plus five percent (5%) and (y) the maximum rate permitted by applicable law from the Contribution Date until the date the Capital Contribution is received by the Company.

4.04 Return of Contributions. Except as may be specifically provided in these Regulations, a Member shall not be entitled to the return of any part of its Capital Contributions or to be paid interest in respect of either its Capital Account or its Capital Contributions. A Member shall not be required to

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contribute or to lend any cash or property to the Company to enable the Company to return any Member's Capital Contributions.

4.05 Advances by Members. If the Company does not have sufficient cash to pay its obligations, any Member(s) that may agree to do so may advance all or part of the needed funds to or on behalf of the Company (provided the Member has made its Capital Contribution). An advance described in this Section 4.05 constitutes a loan from the Member to the Company, bears interest at the General Interest Rate from the date of the advance until the date of payment and is not a Capital Contribution. Terms of any loan to the Company by a Member shall be determined in accordance with the Interested Matters Voting Procedures.

4.06 Capital Account. A Capital Account shall be established and maintained for each Member.

4.07 Capital Contributions for System Modifications. No Member shall have any obligation to make Additional Capital Contributions requested for the purpose of funding the costs of a System Modification unless the Member has voted in favor of such System Modification. It is the intent of the Members that the Members' Membership Interests shall be adjusted to reflect the Membership Interest of each Member immediately after Additional Capital Contributions are made relating to the costs of any System Modification. A Member that votes against a System Modification shall not be permitted to make Capital Contributions for such System Modification unless the Members voting in favor of the System Modification unanimously consent to such contribution.

ARTICLE 5.

ALLOCATIONS

5.01 Profits. After giving effect to the special allocations set forth in Sections 5.03 and 5.04 hereof, Profits for any Allocation Year shall be allocated as follows:

(a) First, to each Member in an amount equal to the excess, if any, of (i) the cumulative Losses allocated to such Member pursuant to Section 5.02(a) hereof for all prior Allocation Years, over (ii) the cumulative Profits allocated to such Member pursuant to this Section 5.01(a) for all prior Allocation Years; and

(b) The balance, if any, among the Members in accordance with their Membership Interests.

5.02 Losses. After giving effect to the special allocations set forth in Sections 5.03 and 5.04 hereof, Losses for any Allocation Year shall be allocated as follows:

(a) First, among the Members in accordance with their Membership Interests, provided that Losses shall not be allocated pursuant to this Section 5.02(a) to the extent such allocation would cause any Member to have an Adjusted Capital Account Deficit at the end of such Allocation Year; and

(b) The balance, if any, among the Members in accordance with their

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positive Capital Account balances.

5.03 Special Federal Income Tax Allocations. The following special allocations shall be made in the following order:

(a) Minimum Gain Chargeback. Except as otherwise provided in Section 1.704-2(f) of the Treasury Regulations, notwithstanding any other provisions of this Article 5, if there is a net decrease in Company Minimum Gain during any Allocation Year, each Member shall be specially allocated items of Company income and gain for such Allocation Year (and, if necessary, subsequent Allocation Years) in an amount equal to such Member's share of the net decrease in Company Minimum Gain, determined in accordance with Treasury Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Sections 1.704-2(f)(6) and 1.704-2(j)(2) of the Treasury Regulations. This Section 5.03(a) is intended to comply with the minimum gain chargeback requirement in Section 1.704-2(f) of the Treasury Regulations and shall be interpreted consistently therewith.

(b) Member Minimum Gain Chargeback. Except as otherwise provided in Section 1.704-2(i)(4) of the Treasury Regulations, notwithstanding any other provision of this Article 5, if there is a net decrease in Member Nonrecourse Debt Minimum Gain attributable to a Member Nonrecourse Debt during any Allocation Year, each Member which has a share of the Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Section 1.704-2(i)(5) of the Treasury Regulations, shall be specially allocated items of Company income and gain for such Allocation Year (and, if necessary, subsequent Allocation Years) in an amount equal to such Member's share of the net decrease in Member Nonrecourse Debt, determined in accordance with Treasury Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Sections 1.704-2(i)(4) and 1.704-2(j)(2) of the Treasury Regulations. This Section 5.03(b) is intended to comply with the minimum gain chargeback requirement in Section 1.704-2(i)(4) of the Treasury Regulations and shall be interpreted consistently therewith.

(c) Qualified Income Offset. In the event any Member unexpectedly receives any adjustments, allocations or distributions described in Sections 1.704-1(b)(2)(ii)(d)(4),

1.704-1(b)(2)(ii)(d)(5) or 1.704-1(b)(2)(ii)(d)(6) of the Treasury Regulations, items of Company income and gain shall be specially allocated to such Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the Adjusted Capital Account Deficit of the Member as quickly as possible, provided that an allocation pursuant to this Section 5.03(c) shall be made only if and to the extent that the Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article 5 have been tentatively made as if this Section 5.03(c) were not in these Regulations.

(d) Nonrecourse Deductions. Nonrecourse Deductions for any Allocation Year

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shall be specially allocated to the Members in proportion to their respective Membership Interests.

(e) Member Nonrecourse Deductions. Any Member Nonrecourse Deductions for any Allocation Year shall be specially allocated to the Member(s) that bear the economic risk of loss with respect to the Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Treasury Regulations Section 1.704-2(i)(1).

(f) Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Company asset, pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(2) or 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Member in complete liquidation of such Member's Membership Interest, the amount of such adjustment to Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the Members in accordance with their Membership Interests in the event Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(2) applies, or to the Member to which such distribution was made in the event Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

5.04 Curative Allocations. The allocations set forth in Sections 5.03(a), 5.03(b), 5.03(c), 5.03(d), 5.03(e), 5.03(f) and 5.05 hereof (the "Regulatory Allocations") are intended to comply with certain requirements of the Treasury Regulations. It is the intent of the Members that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss or deduction pursuant to this Section 5.04. Therefore, notwithstanding any other provision of this Article 5 (other than the Regulatory Allocations), the Company shall make such offsetting special allocations of Company income, gain, loss or deduction in whatever manner it determines appropriate so that, after such offsetting allocations are made, each Member's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not part of these Regulations and all Company items were allocated pursuant to Sections 5.01, 5.02, and 5.03(g) hereof.

5.05 Loss Limitation. Losses allocated pursuant to Section 5.02 hereof shall not exceed the maximum amount of Losses that can be allocated without causing any Member to have an Adjusted Capital Account Deficit at the end of any Allocation Year. In the event some but not all

of the Members would have Adjusted Capital Account Deficits as a consequence of an allocation of Losses pursuant to Section 5.02 hereof, the limitation set forth in this Section 5.05 shall be applied on a Member-by-Member basis and Losses not allocable to any Member as a result of such limitation shall be allocated to the other Members in accordance with the positive balances in such Member's Capital Accounts so as to allocate the maximum permissible Losses to each Member under Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations.

5.06 Other Allocation Rules.

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(a) For purposes of determining the Profits, Losses or any other items allocable to any period, Profits, Losses and any such other items shall be determined on a daily, monthly or other basis, as determined by the Members using any permissible method under Code Section 706 and the Treasury Regulations thereunder.

(b) The Members are aware of the income tax consequences of the allocations made by this Article 5 and hereby agree to be bound by the provisions of this Article 5 in reporting their shares of Company income and loss for income tax purposes.

(c) Solely for purposes of determining a Member's proportionate share of the "excess nonrecourse liabilities" of the Company within the meaning of the Treasury Regulations Section 1.752-3(a)(3), the Members' interests in Company profits shall be in proportion to their Membership Interests.

To the extent permitted by Section 1.704-2(h)(3) of the Treasury Regulations, the Members shall endeavor to treat distributions of Net Cash Flow as having been made from the proceeds of a Nonrecourse Liability or a Member Nonrecourse Debt only to the extent that such distributions would cause or increase an Adjusted Capital Account Deficit for any Member.

5.07 Contributed Property, Tax Allocations.

(a) Code Section 704(c). In accordance with Code Section 704(c) and the Treasury Regulations thereunder, income, gain, loss and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial Gross Asset Value (computed in accordance with the definition of Gross Asset Value) using an acceptable allocation method pursuant to the Treasury Regulations under Section 704(c) as selected by the Members.

(b) In the event the Gross Asset Value of any Company asset is adjusted pursuant to subparagraph (ii) of the definition of Gross Asset Value, subsequent allocations of income, gain, loss and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under Code Section 704(c) and the Regulations thereunder.

(c) Any elections or other decisions relating to such allocations shall be made by the Members in any manner that reasonably reflects the purpose and intention of these Regulations. Allocations pursuant to this Section 5.07 are solely for purposes of federal, state, and local taxes and shall not affect or in any way be taken into account in computing any Member's Capital Account or share of Profits, Losses, other items or distributions pursuant to any provision of these Regulations.

ARTICLE 6.

DISTRIBUTIONS

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6.01 Distributions. From time to time the Members shall determine in their reasonable judgment to what extent (if any) the Company's cash on hand exceeds its current and anticipated needs, including, without limitation, its operating expenses, debt service, acquisitions and a reasonable contingency reserve. If such an excess exists, the Members shall vote in accordance with Article 7 hereof to determine the amount, if any, and the timing of any distributions. Except as provided in Section 3.14 hereof, all Distributions to the Members shall be in accordance with their respective Membership Interests.

6.02 Tax Amounts Withheld. All amounts withheld pursuant to the Code or any provision of any state, local or foreign tax law with respect to any payment, distribution or allocation to the Company or the Members shall be treated as amounts paid or distributed, as the case may be, to the Members with respect to which such amount was withheld pursuant to this Section 6.02 for all purposes under these Regulations. The Company is authorized to withhold from payments and distributions, or with respect to allocations to the Members, and to pay over to any federal, state and local government or any foreign government, any amounts required to be so withheld pursuant to the Code or any provisions of any other federal, state or local law or any foreign law, and shall allocate any such amounts to the Members with respect to which such amount was withheld. Since withholding is imposed with respect to any foreign Member's allocable share of the income subject to withholding, regardless of whether any distributions are made to the foreign Member, any Member with Excess Withholding Liability must remit that amount to the Company within ten (10) days of notice from the Company thereof.

6.03 Limitations on Distributions. The Company shall make no distributions to the Members except (i) as provided in this Article 6 hereof, or (ii) as otherwise agreed to by the Required Interest.

ARTICLE 7.

MANAGEMENT OF THE COMPANY

7.01 Management by the Members.

(a) Subject to nonwaivable provisions of applicable law and the provisions of these Regulations, the powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of, the Members which shall conduct, direct and exercise control over all activities of the Company and shall have full power and authority on behalf of the Company to manage and administer the business and affairs of the Company and to do or cause to be done any and all acts deemed necessary by it to be necessary or appropriate to conduct the business of the Company. Except as provided to the contrary in Sections 7.01(b), (c) and (d) below and as otherwise specifically provided in this Agreement, all decisions by the Members shall be by Majority Approval.

(b) The Members may not cause the Company to do or perform any acts specified in Schedule 7.01(b) hereto without Super Majority Approval.

(c) The Members may not cause the Company to do or perform any acts specified in Schedule 7.01(c) hereto without Unanimous Approval.

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(d) When, with respect to any matter to be voted on by the Members, a conflict of interest exists such that a conflicted Member elects not to participate in such vote (or such conflicted Member is asked not to participate in such vote by any two (2) other Members), the remaining non-conflicted Members shall proceed with the vote as if they collectively owned, in the aggregate, one hundred percent (100%) of the Membership Interests. In such case, the quantity of Membership Interests and number of votes required to approve the matter under consideration, as specified in this Section 7.01, shall be calculated based only on the Members and Membership Interests actually voting. The procedures described in this subsection 7.01(d) shall be the "Interested Matters Voting Procedures". Without limiting the actions which are subject to the Interested Matters Voting Procedures, as described in this subsection 7.01(d), the actions set forth in Schedule 7.01(d) shall be subject to the Interested Matters Voting Procedures.

7.02 Actions by Member Committees; Delegation of Authority and Duties.

(a) In managing the business affairs of the Company and exercising its powers, the Members shall act (i) collectively through meetings and written consents pursuant to Article 8 hereof, (ii) through committees pursuant to Sections 7.02(b) and (d) hereof and (iii) through a Member, officer or other Person to whom authority and duties have been delegated pursuant to Section 7.02(c) hereof.

(b) The Members may, from time to time, with the approval of the Required Interest designate by resolutions to such effect one or more committees, each of which shall be comprised of one or more of the Members. Any such committee, to the extent provided in such resolution or Certificate or these Regulations and subject to the approval of the Required Interest, shall have and may exercise all of the authority of the Members, subject to the limitations set forth in the Act. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the members present shall be necessary for the adoption of any resolution. The Members may dissolve any committee at any time, unless otherwise provided in the Certificate or these Regulations.

(c) The Members may, from time to time, with the approval of the Required Interest delegate to one or more Members, designees of such Members, employees of the Company or any Person such authority and duties as the Members may deem advisable. In addition, the Member with the approval of a Required Interest, may assign titles (including, without limitation, president, vice president, secretary, assistant secretary, treasurer and assistant treasurer) to any such Member, designee of such Members, employees of the Company or any Person. Any number of titles may be held by such a Person designated by the Members. Any delegation pursuant to this Section 7.02(c) may be revoked at any time by the vote of the Required Interest.

(d) The Members hereby establish a management committee (the "Management Committee") whose Members shall be comprised of one (1) representative designated by each Member. The initial Management Committee Members shall consist of the individuals set forth on Exhibit C hereto. The Management Committee shall be vested with all powers and duties to manage the affairs of

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the Company to the full extent and in the same manner as the Members are permitted by these Regulations, the Act or the DGCL. Any Member may change its designated representative on the Management Committee by giving notice to the Company and the other Members as provided in Section 15.04 hereof. All voting by the Management Committee shall be undertaken on the same basis as voting by the Members with each Member of the Management Committee being able to vote the Membership Interest of the Member that such Management Committee Member represents. All meetings of the Management Committee shall be held in accordance with the provisions of Article 8 hereof applicable to the meetings of the Members. The Management Committee shall have a chairman who shall serve for a term of two (2) years. The chairmanship shall rotate every two (2) years to the representative designated by the Member in the following order:

(i) Columbia (Initial Chairman)

(ii) TransCanada

(iii) Westcoast

(iv) MCN

7.03 Conflicts of Interest and Affiliate Transactions.

(a) The Members and their Affiliates agree not to participate in the development of or invest in, directly or indirectly as an equity participant, any other greenfield project or venture

into the U.S. Northeast which, if developed, would offer natural gas transportation services in competition with the Millennium Pipeline System until December 31, 1998, unless a Member discloses such interest in a potentially competing project and receives written consent to participate from all of the other Members. The Members and their Affiliates shall be free to pursue any complimentary or non-competing ventures without the participation of any other Member. The Members hereby agree that Columbia's service on its existing transmission system and Columbia's market expansion project authorized pursuant to FERC Docket No. CP96-213 will not be deemed as a violation of its covenant not to compete. The Members further acknowledge that Westcoast (or an Affiliate) is involved in the Maritimes and Northeast Pipeline Project, MCN (or an Affiliate) is involved in the Portland Natural Gas Transmission Project, and TransCanada (or an Affiliate) is involved in the TransMaritime Gas Transmission Project, Iroquois Gas Transmission and the Portland Natural Gas Transmission Project, as well as the TransCanada PipeLines, Limited "Canadian Mainline" and the Members agree that participation or ownership in any of the aforementioned projects or pipelines, or any contemplated or future expansions thereof, will not be a violation of the covenant not to compete.

(b) From and after December 31, 1998 (or such other date as may be determined by Unanimous Consent), each Member and its Affiliates at any time and from time to time may engage in and possess interests in other business ventures of any and every type and description, independently or with others, including ones in competition with the Company, with no obligation to offer to the Company, any other Member or any of their Affiliates the right to participate therein. Neither the Company nor any of the other Members shall have any rights

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by virtue of this Agreement in and to such independent business ventures or to the income or profits derived therefrom.

(c) The Company may not engage in an Affiliate Transaction or cause the Partnership to engage in an Affiliate Transaction unless (i) the terms of each Affiliate Transaction are no less favorable than those the Company or the Partnership could obtain from unrelated third parties and (ii) each Affiliate Transaction involving an amount in excess of US$10,000 in the aggregate has been approved by the Required Interest.

7.04 Officers.

(a) Qualifications, Duties and Term of Office. The Members may, from time to time and with the approval of a Required Interest, designate one or more Persons to be officers of the Company. No officer need be a resident of the State of Delaware or a Member. Any officers so designated shall have such authority and perform such duties as the Members may, from time to time, delegate to them. The Members may assign titles to particular officers. Unless the Members decide otherwise, if the title is one commonly used for officers of a business corporation formed under the DGCL, the assignment of such title shall constitute the delegation to such officer of the authority and duties that are normally associated with that office, subject to (i) specific delegation of authority and duties made to such officer by the Members pursuant to the third sentence of this Section 7.04(a), or (ii) any delegation of authority and duties made to one or more Members pursuant to Section 7.02(a) hereof. Each officer shall hold office until his successor shall be duly designated

and shall qualify or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. Any number of offices may be held by the same Person. The salaries or other compensation, if any, of the officers and agents of the Company shall be fixed from time to time by the Members.

(b) Resignation; Removal. Any officer may resign as such at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time be specified, at the time of its receipt by the Members. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation. Any officer may be removed as such, either with or without cause, by the Required Interest whenever in their judgment the best interests of the Company will be served thereby; provided, however, that such removal shall be without prejudice to the contract rights, if any, of the Person so removed. Designation of any officer shall not itself create contract rights. Any vacancy occurring in any office of the Company may be filled by the Members.

(c) Officers. The powers and duties of the officers with the following titles shall be as follows:

(i) Chairman. The chairman, if one is elected, shall preside at all meetings of the Members, and shall have such other powers and duties as may from time to time be prescribed by the Members.

(ii) Chief Executive Officer. The chief executive officer, if one is elected, shall be either the chairman or the president of the Company, as

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determined from time to time by duly adopted resolution of the Members. The chief executive officer, if one is elected, shall preside at all meetings of the Members if there is no chairman, shall have and may exercise the powers of the president of the Company, and shall have such other powers and duties as may from time to time be prescribed by the Members.

(iii) President. The president shall, subject to the direction of Members, the Management Committee and, if any, the chairman and/or chief executive officer of the Company, have general executive charge, management and control of the Property and operations of the Company in the ordinary course of its business with all such powers with respect to such responsibilities including the powers of a general manager; the president shall preside at all meetings of the Members if there is no chairman or the chairman is absent or disabled from acting; the president shall be ex-officio a member of all standing committees; subject to approval by the Members, the president may agree upon and execute all division and transfer orders, bonds, contracts and other obligations in the name of the Company; the president may sign all certificates representing securities of the Company; and the president shall see that all orders and resolutions of the Members are carried into effect. The president shall have such other powers and duties as may from time to time be prescribed by the Members.

(iv) Chief Operating Officer. The chief operating officer, if one is elected, shall be the same Person as the president of the Company and shall have such other powers and duties as may from time to time be prescribed by the Members.

(v) Vice Presidents. Each vice president shall have such powers and duties as may from time to time be prescribed by duly adopted resolution of the Members or by the president. The vice presidents in the order of their seniority, unless otherwise determined by the Members, shall, if the president is absent or disabled from acting, have the authority, exercise the powers and perform the duties of the president during the president's absence or inability to act.

(vi) Chief Financial Officer and/or Treasurer. If the Members determine to elect both a chief financial officer and a treasurer, both offices shall be held by the same Person. The chief financial officer, if one is elected, and/or the treasurer, if one is elected, shall have custody of all the funds and securities of the Company which come into his hands. When necessary or proper, he may, on behalf of the Company, endorse for collection checks, notes and other obligations, and shall deposit the same to the credit of the Company in such bank or banks or depositories as shall be designated in the manner prescribed by the Members; and he may sign all receipts and vouchers for payments made to the Company, either alone or jointly with such other office as is designated by the Members. Whenever required by the Members, he shall render a statement of his cash account; he shall enter or cause to be entered regularly in the books of the Company to be kept by him for that purpose full and accurate accounts of all moneys received and paid out on account of the Company; he shall perform all acts incident to the position of treasurer subject to the

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control of the Members, and he shall, if required by the Members, give such bond for the faithful discharge of his duties in such form as the Members may require. The chief financial officer and/or the treasurer shall have such other powers and duties as may from time to time be prescribed by the Members or by the president.

(vii) Assistant Treasurers. Each assistant treasurer, if any is elected, shall have the usual powers and duties pertaining to his office, together with such other powers and duties as may from time to time be prescribed by the Members or by the president. The assistant treasurers in the order of their seniority, unless otherwise determined by the Members, shall, if the chief financial officer and/or treasurer is absent or disabled from acting, have the authority, exercise the powers and perform the duties of the chief financial officer and/or treasurer during that officer's absence or inability to act.

(viii) Secretary. The secretary shall keep the minutes of all meetings of the Members in books provided for that purpose or in any other form capable of being converted into written form within a reasonable time; he shall attend to the giving and serving of all notices; he may sign with the president in the name of the Company all contracts of the Company and affix the seal of the Company thereto; he shall have charge of any such other books and papers as the Members may direct, all of which shall at all reasonable times be

open to the inspection of any Member upon application at the office of the Company during business hours; and he shall in general perform all duties incident to the office of secretary, subject to the control of the Members.

(ix) Assistant Secretaries. Each assistant secretary shall have the powers and duties pertaining to his office, together with such other powers and duties as may from time to time be prescribed by duly adopted resolution of the Members or by the president. The assistant secretaries in the order of their seniority, unless otherwise determined by the Members, shall, if the secretary is absent or disabled from acting, have the authority, exercise the powers and perform the duties of the secretary during the secretary's absence or inability to act.

(d) Initial Officers. Those individuals listed on Exhibit D, shall be, and they hereby are, appointed by the Members as the officers of the Company as reflected on Exhibit D with those duties generally assigned such offices until their resignation or removal in accordance with these Regulations. Subject to the approval of the Members, the chairman shall identify the other officers to serve in those offices identified in these Regulations or created by the Members.

7.05 Insurance. During the term of these Regulations, the Company shall at all times carry and maintain in full force and effect such insurance as the Members deem reasonably necessary for the operation of the business of the Company, including but not limited to officer and director or equivalent liability coverage pursuant to Section 9.06 hereof, if appropriate. The premiums for any such insurance coverage shall be an expense borne by the Company. The

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Members shall be named as additional insureds under such policies in such business or individual capacities as may be deemed appropriate by the Company to effectuate the intent of this provision.

ARTICLE 8.

MEETINGS OF MEMBERS

8.01 Meetings.

(a) With respect to any matter (other than a matter for which the affirmative vote of the holders of a specified portion of the Membership Interests of all Members entitled to vote is required by the Act), the affirmative vote of the Required Interest at a meeting of the Members shall be the act of the Members. A Member who is present at a meeting of the Members at which any action on any Company matter is taken shall be presumed to have assented to the action unless such Member's dissent or election to abstain shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action or abstention with respect to the matter being voted upon with the Person acting as secretary of the meeting before the adjournment thereof or shall deliver such dissent or notice of abstention to the Company immediately after the adjournment of the meeting. Such right to dissent or abstain from voting shall not apply to a Member that voted in favor of such action. For voting purposes, if on any action voted on there are Abstaining Members, the Abstaining Members

shall be treated as if a conflict exists with regard to the Abstaining Members and the vote shall be determined in accordance with the Interested Matters Voting Procedures.

(b) All meetings of the Members shall be held at the principal place of business of the Company or at such other place as shall be specified or fixed in the notices or waivers of notice thereof; provided that any or all Members may participate in any such meeting by means of conference telephone or similar communications equipment pursuant to Section 8.05 hereof.

(c) Notwithstanding any contrary provisions of the Certificate or these Regulations, the chairman of the meeting or the holders of the Required Interest shall have the power to adjourn such meeting from time to time, without any notice other than announcement at the meeting of the time and place at which such adjourned meeting shall be reconvened. If such meeting is adjourned by the Members, such time and place shall be determined by a vote of the holders of the Required Interest. Upon the resumption of such adjourned meeting, any business may be transacted that might have been transacted at the meeting as originally called.

(d) An annual meeting of the Members shall be held at such place, within or without the State of Delaware, on such date and at such time as the Members shall fix and set forth in the notice of the meeting, which date shall be within twelve (12) months subsequent to the Effective Date or the last annual meeting of Members, whichever most recently occurred.

(e) Special meetings of the Members for any proper purpose or purposes may

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be called at any time by one or more Members holding at least ten percent (10%) of the Membership Interests of all Members. If not otherwise stated in or fixed in accordance with the remaining provisions hereof, the date any Member first signs the notice of a meeting shall constitute the record date for determining which Members are entitled to call a special meeting. Only business within the purpose or purposes described in the notice (or waiver thereof) required by these Regulations may be conducted at a special meeting of the Members.

(f) Written or printed notice stating the place, day and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting pursuant to Section 15.04, to each Member entitled to vote at such meeting.

(g) The date on which notice of a meeting of the Members is faxed or mailed, or the date on which the resolution of the Members declaring a distribution is adopted, as the case may be, shall be the record date for the determination of the Members entitled to notice or to vote at such meeting, including any adjournment thereof or the Members entitled to receive such distributions.

(h) Attendance of a Member at a meeting shall constitute a waiver of notice of such meeting, except where a Member attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

(i) The right of Members to cumulative voting in the election of officers of the Company is expressly prohibited.

8.02 Voting List. At any time that the Company has in excess of four (4) Members, the chairman of the Management Committee or other designated Member shall make, at least ten (10) days before each meeting of Members, a complete list of the Members entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the Membership Interest held by each, which list, for a period of ten (10) days prior to such meeting, shall be kept on file at the registered office or the principal place of business of the Company and shall be subject to inspection by any Member at any time on a Business Day during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any Member during the whole time of the meeting. The original membership records shall be prima facie evidence as to who are the Members entitled to examine such voting list or records or to vote at any meeting of Members. Failure to comply with the requirements of this Section 8.02 shall not affect the validity of any action taken at the meeting.

8.03 Proxies. A Member may vote either in person or by proxy executed in writing by the Member. A telegram, telex, cablegram or similar transmission by the Member, or a photographic, photostatic, facsimile or similar reproduction of a writing executed by the Member shall be treated as an execution in writing for purposes of this Section 8.03. Proxies for use at any meeting of Members or in connection with the taking of any action by written consent shall be delivered to Members, before or at the time of the meeting or execution of the written consent, as the case may be. All proxies shall be received and taken charge of

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and all ballots shall be received and canvassed by the Members, who shall decide all questions touching upon the qualification of voters, the validity of the proxies and the acceptance or the rejection of votes, unless an inspector or inspectors shall have been appointed by the chairman of the meeting in which event such inspector or inspectors shall decide all such questions. No proxy shall be valid after eleven (11) months from the date of its execution unless the proxy form conspicuously states that the proxy is irrevocable and the proxy is coupled with any interest. If a proxy designates more than two (2) Persons to act as proxies, unless that instrument shall provide to the contrary, a majority of such Persons present at any meeting at which their powers thereunder are to be exercised shall have and may exercise all the powers of voting or giving consents thereby conferred, or, if only one (1) be present, such powers may be exercised by that one; or, if an even number attend and a majority do not agree on any particular issue, the Company shall not be required to recognize such proxy with respect to such issue if such proxy does not specify how the Membership Interest that is the subject of such proxy is to be voted with respect to such issue.

8.04 Conduct of Meetings. All meetings of the Members shall be presided over by the chairman of the meeting, who shall be a Member (or representative thereof) designated by a majority of the Members. The chairman of any meeting of the Members shall determine the order of business and the procedure at the meeting including such regulation of the manner of voting and the conduct of discussion as seem to the chairman in order.

8.05 Action by Written Consent or Telephone Conference.

(a) Any action required or permitted to be taken at any annual or special meeting of the Members may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed and dated by each of the Members. No written consent shall be effective to take the action that is the subject to the consent unless, within sixty (60) days after the date of the earliest dated consent delivered to the Company in the manner required by this Section 8.05(a), a consent or consents signed and dated by each of the Members are delivered to the Company by delivery to its registered office, its principal place of business, or the Members. Delivery shall be by hand or certified or registered mail, return receipt requested. Delivery to the Company's principal place of business shall be addressed to the Members. A telegram, telex, cablegram or similar transmission by a Member shall be regarded as signed by the Member for purposes of this Section.

(b) The record date for determining Members entitled to consent to an action in writing without a meeting shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Company by delivery to its registered office, its principal place of business or a Member. Delivery shall be by hand or by certified or registered mail, return receipt requested. Delivery to the Company's principal place of business shall be addressed to the Members.

(c) If any action by Members is taken by written consent, certificates or documents filed with the Secretary of State of Delaware as a result of the taking of the action shall state, in lieu of any statement required by the Act

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concerning any vote of Members, that written consent has been given in accordance with the provisions of the Act and that any written notice required by the Act has been given.

(d) Members may participate in and hold a meeting by means of telephone conference or similar communications equipment by means of which all Persons participating in the meeting can hear each other, and participation in such meeting shall constitute attendance and presence in person at such meeting, except when a Person who participates in the meeting objects to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE 9.

INDEMNIFICATION

9.01 Right to Indemnification. Subject to the limitations and conditions as provided in this Article 9, each Person who was or is made a party to or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (hereinafter an "Action"), or any appeal of such an Action or any inquiry or investigation that could lead to such an Action, by reason of the fact that he, or a Person of whom he is the legal representative, is or was a Member of the Company, while a Member

of the Company is or was serving at the request of the Company as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise shall be indemnified by the Company to the fullest extent permitted by the Act, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment) against judgments, penalties (including excise and similar taxes and punitive damages), fines, settlements and reasonable expenses (including, without limitation, attorneys' fees) actually incurred by such Person in connection with such Action and the indemnification under this Article 9 shall continue as to a Person who has ceased to serve in the capacity which initially entitled such Person to indemnity hereunder. The rights granted pursuant to this Article 9 shall be deemed contract rights, and no amendment, modification or repeal of this Article 9 shall have the effect of limiting or denying any such rights with respect to actions taken or Actions arising prior to any such amendment, modification or repeal. It is expressly acknowledged that the indemnification provided for in this Article 9 could involve indemnification for negligence or under theories of strict liability.

9.02 Advance Payment. The right to indemnification conferred in this Article 9 shall include the right to be paid or reimbursed by the Company for the reasonable expenses incurred by a Person of the type entitled to be indemnified under Section 9.01 who was, is or is threatened to be made a named defendant or respondent in an Action in advance of the final disposition of the Action and without any determination as to the Person's ultimate entitlement to

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indemnification; provided, however, that the payment of such expenses incurred by any such Person in advance of the final disposition of an Action shall be made only upon delivery to the Company of a written affirmation by such Person of its good-faith belief that it has met the standard of conduct necessary for indemnification under this Article 9 and a written undertaking, by or on behalf of such Person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified Person is not entitled to be indemnified under this Article 9 or otherwise.

9.03 Indemnification of Officers, Employees and Agents. The Company, by adoption of a resolution of the Members, may indemnify and advance expenses to any officer, employee or agent of the Company to the same extent and subject to the conditions under which it may indemnify and advance expenses to a Person under this Article 9, and the Company may indemnify and advance expenses to Persons who are not or were not officers, employees or agents of the Company but who are or were serving at the request of the Company as director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise against any liability asserted against him and incurred by him in such a capacity or arising out of his status as such a Person to the same extent that it may indemnify and advance expenses to officers under this Article 9.

9.04 Appearance of Witness. Notwithstanding any other provision of this Article 9, the Company may pay or reimburse expenses incurred by a Member, officer or other Person in

connection with his appearance as a witness or other participation in an Action at a time when he is not a named defendant or respondent in the Action.

9.05 Nonexclusivity of Rights. The right to indemnification and the advancement and payment of expenses conferred in this Article 9 shall not be exclusive of any other right which a Member, officer or other Person indemnified pursuant to Section 9.03 may have or hereinafter acquire under any law (common or statutory), provision of the Certificate or these Regulations, agreement, vote of Members, or otherwise.

9.06 Insurance. The Company may purchase and maintain insurance, at its expense, to protect itself and any Person who is or was serving as an officer, employee or agent of the Company or is or was serving at the request of the Company as a manager, director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise against any expense, liability or loss, whether or not the Company would have the power to indemnify such Person against such expense, liability or loss under this Article 9.

9.07 Member Notification. To the extent required by law, any indemnification of or advance of expenses to a Member, officer or other Person in accordance with this Article 9 shall be reported in writing to the Members with or before the notice or waiver of notice of the next Members' meeting or with or before the next submission to Members of a consent to action without a

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meeting and, in any case, within the twelve (12) month period immediately following the date of the indemnification or advance.

9.08 Saving Clause. If this Article 9 or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless each Member, officer or any other Person indemnified pursuant to this Article 9 as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Article 9 that shall not have been invalidated and to the fullest extent permitted by applicable law.

ARTICLE 10.

TAXES

10.01 Tax Returns. The Members shall cause to be prepared and filed all necessary federal and state tax returns for the Company, including making the elections described in Section 10.02 hereof. Each Member shall furnish to the Company all pertinent information in its possession relating to Company operations that is necessary to enable the Company's tax returns to be timely prepared and filed.

10.02 Tax Elections. The Company shall make the following elections on the appropriate tax returns:

(a) to adopt the calendar or such other fiscal year as elected by the Partnership as the Company's fiscal year;

(b) to adopt the accrual method of accounting and to keep the Company's tax records in accordance with applicable tax accounting principles, consistently applied except as (i) set forth herein or (ii) otherwise determined by the Members;

(c) if a distribution of Company property as described in Section 734 of the Code occurs or if a transfer of a Membership Interest as described in Section 743 of the Code occurs, on written request of any Member, to elect, pursuant to Section 754 of the Code, to adjust the basis of Company properties;

(d) to elect to amortize the organizational expenses of the Company and the startup expenditures of the Company under Section 195 of the Code ratably over a period of sixty (60) months as permitted by Section 709(b) of the Code;

(e) any other election the Members may deem appropriate and in the best interests of the Members;

(f) neither the Company nor any Member may make an election for the Company to be excluded from the application of the provisions of subchapter K of chapter I of subtitle A of the Code or any similar provisions of applicable state law, and no provision of these Regulations (including, without limitation, Section 2.08) shall be construed to sanction or approve such an election; and

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(g) the Company is intended to be classified as a partnership for federal and state income tax purposes; no election shall be made by the Company or any Member to classify the Company as other than a partnership pursuant to regulations issued under Code Section 7701, or any similar provision of any state law.

10.03 Tax Matters Partner. Columbia shall be designated as the "tax matters partner" of the Company pursuant to Section 6231(a)(7) of the Code and shall serve in such capacity until its resignation or removal by the Members. Upon its resignation or removal, the Members shall designate one Member to be the "tax matters partner." Any Member which is designated as "tax matters partner" shall take such action as may be necessary to cause each other Member to become a "notice partner" within the meaning of Section 6223 of the Code. Any Member which is designated as "tax matters partner" shall inform each other Member of all significant matters that may come to its attention in its capacity as "tax matters partner" by giving notice thereof on or before the fifth (5th) Business Day after becoming aware thereof and, within that time, shall forward to each other Member copies of all significant written communications it may receive in that capacity. Any

Member which is designated as "tax matters partner" may not take any action contemplated by Sections 6222 through 6232 of the Code without the consent of a Required Interest, but this sentence does not authorize the Member to take any action left to the determination of an individual Member under Sections 6222 through 6232 of the Code.

10.04 Tax Reporting Information. The Company shall use its best efforts to furnish the Members a report within one hundred twenty (120) days after the close of the Company's fiscal year containing all tax reporting information reasonably necessary for federal and applicable state and local income tax purposes.

ARTICLE 11.

BOOKS, RECORDS, REPORTS, AND BANK ACCOUNTS

11.01 Maintenance of Books.

(a) The Company shall keep books and records of accounts and shall keep minutes of the proceedings of its Members and each committee of the Members. The books of account for the Company shall be maintained on the accrual basis in accordance with Required Accounting Practices, consistently applied, and the terms of these Regulations. Notwithstanding the foregoing, the Capital Accounts of the Members shall also be maintained in accordance with the definition of Capital Accounts. The calendar year shall be the fiscal year of the Company unless otherwise decided by the Members.

(b) The Members and their agents may, at their own cost and expense, examine, audit and obtain copies of the books, records and accounts of the Company, including federal, state, and local income tax returns for each year as and when they become available, inspect its properties, or otherwise make reasonable inquiry as to Company affairs. Any such inspections shall be conducted during the normal business hours of the Company.

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11.02 Reports. On or before the ninetieth (90th) day following the end of each fiscal year, the Members shall cause the Company to furnish each Member with a balance sheet, an income statement, a statement of changes in Members' Capital Accounts and a statement of cash flows and accompanying independent auditors report for, or as of the end of, that year, all of which shall be prepared in accordance with Required Accounting Practices, consistently applied. On or before the forty-fifth (45th) day following the end of each calendar quarter, the Members shall cause the Company to furnish each Member with a balance sheet, an income statement, a statement of changes in Members' Capital Accounts, and a statement of cash flows for, or as of the end of, such calendar quarter, all of which shall be prepared in accordance with Required Accounting Practices, consistently applied. The Members shall also cause the Company to furnish such other reports as reasonably requested by the Members.

11.03 Accounts. The Members shall establish and maintain one or more separate bank and investment accounts and arrangements for Company funds in the Company name with financial institutions and firms that the Members shall from time to time determine. The Members shall not commingle the Company's funds with the funds of any Member; Company funds may, however, be invested in a manner the same as or similar to any Member's investment of its funds or investments by its Affiliates.

ARTICLE 12.

BANKRUPTCY OF A MEMBER

12.01 Bankrupt Members. Subject to any Member Agreement and Section 13.01(d) hereof, if any Member becomes a Bankrupt Member, the Company shall have the option, exercisable by notice from the Members to the Bankrupt Member (or its representative) at any time within thirty (30) days after receipt of notice of the occurrence of the event causing it to become a Bankrupt Member, to buy, and on the exercise of this option the Bankrupt Member or its representative shall sell, its Membership Interest. The purchase price shall be an amount equal to the fair market value thereof determined by agreement by the Bankrupt Member or its representative and the Members; however, if those Persons do not agree on the fair market value on or before the thirtieth (30th) day following the exercise of the option, either such Person, by notice to the other, may require the determination of fair market value to be made by an independent appraiser specified in that notice. If the Person receiving that notice objects on or before the tenth (10th) day following receipt to the independent appraiser, each such Person may petition the United States District Judge for the District of Delaware then senior in service to designate an independent appraiser. The determination of the independent appraiser, however designated, shall be final and binding on all parties. The Bankrupt Member and the Company each shall pay one-half (1/2) of the costs of the appraisal. The purchaser shall pay the fair market value as so determined in four (4) equal cash installments, the first due on closing and the remainder (together with accumulated interest on the amount unpaid at the General Interest Rate) due on each of the first three (3) anniversaries thereof. The amount may be prepaid at any time without penalty. The payment to be made to the Bankrupt Member or its representative pursuant to this Section 12.01 is in complete satisfaction of all the rights and interests of the Bankrupt Member and its representative (and all Persons claiming by,

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through or under the Bankrupt Member and its representative) in respect of the Company, including, without limitation, any Membership Interest, any rights in specific Company Property and any rights against the Company and (insofar as the affairs of the Company are concerned) against the Members, and constitutes a compromise to which all Members have agreed.

ARTICLE 13.

DISSOLUTION, LIQUIDATION, TERMINATION AND RECONSTITUTION

13.01 Dissolution. The Company shall dissolve and shall commence winding up and liquidating upon the first to occur of the following (each a "Dissolution Event"):

(a) the dissolution of the Partnership;

(b) the unanimous written consent of all the Membership Interests of all Members that are not Withdrawing Members to dissolve, wind up and liquidate the Company;

(c) the sale of all or substantially all of the Property;

(d) a judicial determination that an event has occurred that makes it unlawful, impossible or impracticable to carry on the business and the entry of a decree of judicial dissolution of the Company under Section 18-802 of the Act; or

(e) any other event of dissolution of the Company under Section 18-801 of the Act.

13.02 Winding Up, Liquidation and Termination. On dissolution of the Company, the Members shall act as liquidator or may appoint one or more Members as liquidator. The liquidator shall proceed diligently to wind up the affairs of the Company and make final distributions as provided herein and in the Act. The costs of liquidation shall be borne as a Company expense. Until final distribution, the liquidator shall continue to operate the Company Properties with all of the power and authority of the Members. The steps to be accomplished by the liquidator are as follows:

(a) as promptly as possible after dissolution and again after final liquidation, the liquidator shall cause a proper accounting to be made by a recognized firm of certified public accountants of the Company's assets, liabilities and operations through the last day of the calendar month in which the dissolution occurs or the final liquidation is completed, where applicable;

(b) the liquidator shall cause notice of dissolution to be mailed to each known creditor and claimant against the Company;

(c) the liquidator shall pay, satisfy or discharge all of the debts, liabilities and obligations of the Company (including, without limitations, all expenses incurred in liquidation and any advances described in Section 4.05) from Company funds or otherwise make adequate provision for payment and discharge thereof (including, without limitation, the establishment of a cash

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escrow fund for contingent liabilities in such amount and for such term as the liquidator may reasonably determine); and

(d) all remaining assets of the Company shall be distributed to the Members as follows:

(i) the liquidator may sell any or all Property, including to Members, and any resulting gain or loss from each sale shall be computed and allocated to the capital accounts of the Members;

(ii) with respect to all Property that has not been sold, the fair market value of that Property shall be determined and the Capital Accounts of the Members shall be adjusted to

reflect the manner in which the unrealized income, gain, loss and deduction inherent in Property that has not been reflected in the Capital Accounts previously would be allocated among the Members if there were a taxable disposition of that Property for the fair market value of that Property on the date of distribution; and

(iii) Property, including cash, shall be distributed to the Members, in proportion to their positive Capital Accounts as of the date of such distribution, after giving effect to all contributions, distributions and allocations for all periods.

All distributions in kind to the Members shall be made subject to the liability of each distributee for costs, expenses and liabilities theretofore incurred or for which the Company has committed prior to the date of termination and those costs, expenses and liabilities shall be allocated to the distributee pursuant to this Section 13.02. The distribution of cash and/or Property to a Member in accordance with the provisions of this Section 13.02 constitutes a complete return to the Member of its Capital Contributions and a complete distribution to the Member of its Membership Interest and all the Company's Property. To the extent that a Member returns funds to the Company, it has no claim against any other Member for those funds.

13.03 Deficit Capital Accounts. Notwithstanding anything to the contrary contained in these Regulations, and notwithstanding any custom or rule of law to the contrary, to the extent that the deficit, if any, in the Capital Account of any Member results from or is attributable to deductions and losses of the Company (including non-cash items such as depreciation) or distributions of money pursuant to these Regulations to all Members in proportion to their respective Membership Interests, upon dissolution of the Company such deficit shall not be an asset of the Company and such Members shall not be obligated to contribute such amount to the Company to bring the balance of such Member's Capital Account to zero.

13.04 Certificate of Dissolution. On completion of the distribution of Company assets as provided herein, the Company shall be terminated, and the Members (or such other Person or Persons as the Act may require or permit) shall file or cause to be filed a Certificate of Dissolution with the Secretary of State of the State of Delaware, and cancel any other filings as may be necessary to dissolve the Company.

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13.05 Reconstitution. If it is determined, by a court of competent jurisdiction, that the Company has dissolved prior to the occurrence of a Dissolution Event, then, within an additional ninety (90) days after such determination (the "Reconstitution Period"), all of the Members may elect to reconstitute the Company and continue its business on the same terms and conditions set forth in these Regulations by forming a new limited liability company on terms identical to those set forth in these Regulations. Unless such an election is made within the Reconstitution Period, the Company shall liquidate and wind up its affairs in accordance with Section 13.02 hereof. If such an election is made within the Reconstitution Period, then:

(a) the reconstituted limited liability company shall continue until the occurrence of a Dissolution Event as provided in Section 13.01 hereof; and

(b) unless otherwise agreed to by a Required Interest, the Certificate and these Regulations shall automatically constitute the Certificate and Regulations of such new Company. All of the assets and liabilities of the dissolved Company shall be deemed to have been automatically assigned, assumed, conveyed and transferred to the new Company. No bond, collateral, assumption or release of any Member's or the Company's liabilities shall be required; provided, that the right of the Members to select successor managers and to reconstitute and continue the business shall not exist and may not be exercised unless the Company has received an opinion of counsel that the exercise of the right would not result in the loss of limited liability of any Member and neither the Company nor the reconstituted limited liability company would cease to be treated as a partnership for federal income tax purposes upon the exercise of such right to continue.

ARTICLE 14.

DISPUTE RESOLUTION

14.01 Disputes. This Article 14 shall apply to any dispute arising under or related to these Regulations (whether arising in contract, tort or otherwise, and whether arising at law or in equity), including (a) any dispute regarding the construction, interpretation, performance, validity or enforceability of any provision of these Regulations or whether any Person is in compliance with, or in breach of, any provisions of these Regulations, and (b) the applicability of this Article 14 to a particular dispute (collectively, a "Dispute").

14.02 Negotiations to Resolve Disputes. The Members shall endeavor to resolve any Disputes in a prompt and equitable manner. In the event a Dispute arises which the Members are unable to resolve, the Members shall, prior to the initiation of any claim or cause of action, each appoint an officer or representative that has settlement authority to meet (in person or by telephone conference) in an effort to resolve the Dispute equitably, in good faith and as quickly as is reasonably possible. No settlement shall be binding until reduced to writing and signed by the Members. The responsibility of these representatives shall be to resolve the matter or propose a method of resolving the matter, if possible. If the Dispute is not settled or resolved by the earlier of (a) sixty (60) days following the first meeting of the representatives and (b) at such time as the representatives unanimously agree

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that a resolution of the Dispute is not possible, then the Members may proceed as set forth in Section 14.03.

14.03 Arbitration. Subject to Section 14.02 hereof, any Dispute shall be settled by binding arbitration administered by the American Arbitration Association (the "AAA") under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator(s) may be entered in any court of competent jurisdiction. All Members further agree to waive the fifty thousand dollar ($50,000) maximum claim amount applicable to the Expedited Procedures contained in the Commercial Arbitration Rules, and agree to submit to such Expedited Procedures, along with the

additional discovery-related rules outlined below, in all Disputes subject to arbitration hereunder. In no event may the initiation of arbitration by written submission to the AAA be given more than one (1) year after the date of the claim, Dispute or controversy or other matter in question was first asserted in writing to the other Member or Members in accordance with Section 14.02 above. The Members shall adhere to the following schedule for exchange of information upon commencement of arbitration under the Commercial Arbitration Rules:

(a) Within seven (7) days of the service by the responding Member of an answering statement upon the complaining Member, the complaining Member shall serve upon the responding Member a copy of each document in possession of the complaining Member and a list of any witnesses, excluding those documents and witnesses to be used for cross-examination or rebuttal, that the complaining Member intends to rely upon at the arbitration;

(b) Within thirty (30) days of the service by the responding Member of an answering statement upon the complaining Member, the responding Member shall provide a list of any witnesses it intends to call at arbitration and a list of all documents it intends to rely on at arbitration, excluding those documents and witnesses to be used for cross-examination or rebuttal;

(c) Any Member may serve written requests for information and documents (the "Information Request") upon another Member within thirty (30) days of the filing of the answering statement, subject to the following limitations:

(i) Each Member may serve not more than one (1) set of interrogatories limited to ten (10) items;

(ii) Each Member may depose the other Member's expert witnesses, if any, who will be called to testify at the hearing, plus four (4) fact witnesses without regard to whether they will be called to testify. Each Member will be entitled to a total of not more than twenty-four (24) hours of depositions of the other Member's witnesses, including, but not limited to, the witnesses referred to herein. All depositions to be taken by a Member are to be scheduled and completed within one hundred twenty (120) days of the filing of the answering statement.

(d) Information Requests, except as otherwise provided herein, shall be satisfied or objected to within twenty (20) days from the date of service of the Information Request;

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(e) Any response to objections to an Information Request shall be served within ten (10) days of receipt of the objection;

(f) Upon the written request of a Member whose Information Request is unsatisfied, the matter will be considered by the arbitrator(s) at a preliminary hearing held in accordance with the Commercial Arbitration Rules.

ARTICLE 15.

GENERAL PROVISIONS

15.01 Regulations Subordinate to Member Agreement. Any term or provision in any Member Agreement of even date herewith or later entered into between the Members that conflicts with any term or provision in these Regulations shall take precedence over any term or provision in these Regulations, and the conflicting term or provision in these Regulations shall be modified or interpreted in accordance with such Member Agreement.

15.02 Compliance with Partnership Agreement. Notwithstanding anything contained herein to the contrary, neither the Company nor any Member (nor any Affiliate of the Company or any Member) shall take any action which is in violation of or may cause a violation of the terms or conditions of the Partnership Agreement.

15.03 Payments and Offset. Whenever the Company is to pay any sum to any Member, any amounts that Member owes the Company may be deducted from that sum before payment. If any payment due hereunder (excluding a Capital Contribution) is not made when due, it shall accrue interest at the Base Interest Rate.

15.04 Notices. Except as expressly set forth to the contrary in these Regulations, all notices, requests, or consents provided for or permitted to be given under these Regulations must be in writing and must be given either by depositing that writing in the United States mail, addressed to the recipient, postage paid, and registered or certified with return receipt requested or by delivering that writing to the recipient in person, by courier or by facsimile transmission, a notice, request, or consent given under these Regulations is effective on receipt by the Person who is to receive it. All notices, requests and consents to be sent to a Member must be sent to or made at the addresses given for that Member listed below or such other address as that Member may specify by notice to the other Members. Whenever any notice is required to be given by law, the Certificate or these Regulations, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

If to the Company:

Millennium Pipeline Management
Company, L.L.C.
12801 Fair Lakes Parkway
P.O. Box 10146
Fairfax, Virginia 22030
Attn: Mr. David C. Pentzien, Chairman
Telephone: (703) 227-3223
Telecopy: (304) 227-3326

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If to Columbia:	Columbia Gas Transmission Corporation 12801 Fair Lakes Parkway P.O. Box 10146 Fairfax, Virginia 22030 Attn: Mr. David C. Pentzien Telephone: (703) 227-3223 Telecopy: (304) 227-3326
If to MCN:	MCNIC LLC Millennium Company City Place I 185 Asylum Street, 32nd Floor Hartford, CT 06103 Attn: Mr. Mike Feodorov Telephone: (860) 275-6460 Telecopy: (860) 275-6245
If to TransCanada:	TransCanada PipeLine USA Ltd. TransCanada PipeLines Tower 511 5th Avenue, SW Calgary, Alberta Canada T2P 3Y6 Attn: Mr. Brian Fowler Telephone: (403) 267-1908 Telecopy: (403) 267-8573
If to Westcoast:	Westcoast Power Marketing Inc. 50 Keil Drive North Chatham, Ontario Canada N7M 5M1 Attn: Mr. John Wolnik Telephone: (519) 436-4567 Telecopy: (519) 436-4521

15.05 Ratification. The Members hereby ratify, approve, adopt and confirm as an act of the Company acting as General Partner of the Partnership all lawful acts taken pursuant to the MOU by the management committee or its members or chairman established under the MOU whether in the name of the Company, the Partnership or otherwise, including the filing of the documents pursuant to which application was made on behalf of the Partnership for the regulatory authorizations from the FERC for authority to construct, own, operate and maintain the Millennium Pipeline System and for the authority to provide natural gas transportation using the Millennium Pipeline System.

15.06 Entire Agreement; Acknowledgment.

(a) These Regulations constitute the entire agreement of the Members and their Affiliates relating to the Company and, subject to Section 15.01 hereof, supersede all prior contracts or agreements with respect to the Company, whether oral or written, including the MOU.

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(b) The Members expressly acknowledge that, without limiting the effect of subsection 15.06(a), the obligations of each Member shall be limited to those expressly contained in these Regulations, the Partnership Agreement and any Project Agreements to which such Member is a party, and there are no additional express or implied obligations or understandings of the said Member or any of its Affiliates in respect of the Millennium Pipeline System, fiduciary or otherwise.

15.07 Effect of Waiver or Consent. A waiver or consent, express or implied, to or of any breach or default by any Person in the performance by that Person of its obligations with respect to the Company is not a consent or waiver to or of any other breach or default in the performance by that Person of the same or any other obligations of that Person with respect to the Company. Failure of any Person to complain of any act of any other Person or to declare such other Person in default with respect to the Company, irrespective of how long that failure continues, does not constitute a waiver by the Company of its rights with respect to that default until the applicable statute-of-limitations period has run.

15.08 Amendment or Modification. These Regulations may be amended or modified from time to time only by a written instrument adopted by a majority of the Members and executed and agreed to by a Required Interest; provided, however, that (a) an amendment or modification reducing a Member's Membership Interest (other than to reflect changes otherwise provided by these Regulations) is effective only with that Member's consent, (b) an amendment or modification reducing the required Membership Interest or other measure for any consent or vote in these Regulations is effective only with the consent or vote of the Members having the Membership Interest or other measure theretofore required and (c) amendments of the type described in Section 3.05 hereof may be adopted as therein provided.

15.09 Binding Effect. Subject to the restrictions on Dispositions set forth in these Regulations, these Regulations are binding on and inure to the benefit of the Members and their respective heirs, legal representatives, successors and assigns. The executors, administrators or personal representatives of a Member shall execute and deliver any and all instruments and documents and shall do any and all acts and things necessary and appropriate to carry out the terms and provisions of these Resolutions.

15.10 Governing Law. THESE REGULATIONS ARE GOVERNED AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF DELAWARE, EXCLUDING ANY CONFLICT-OF-LAWS RULE OR PRINCIPLE THAT MIGHT REFER THE GOVERNANCE OR THE CONSTRUCTION OF THESE REGULATIONS TO THE LAW OF ANOTHER JURISDICTION. In the event of a direct conflict between the provisions of these Regulations and (a) any provision of the Certificate or (b) any mandatory provision of the Act or (to the extent such statutes are incorporated into the Act) the DGCL, the applicable provision of the Certificate, the Act or the DGCL shall control.

15.11 Severability. If any provision of these Regulations or the application thereof to any Person or circumstance is held invalid or unenforceable to any extent, the remainder of these Regulations and the application of the provision to other Persons or circumstances is not affected

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thereby and that provision shall be enforced to the greatest extent permitted by law.

15.12 Further Assurances. In connection with these Regulations and the transactions contemplated hereby, each Member shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the provisions of these Regulations and those transactions.

15.13 Waiver of Certain Rights. Each Member irrevocably waives any right it may have to maintain any action for dissolution of the Company or for partition of the Property of the Company.

15.14 Indemnification. To the fullest extent permitted by law, each Member shall indemnify the Company and hold it harmless from and against all losses, costs, liabilities, damages, and expenses (including, without limitation, costs of suit and attorneys' fees) they may incur on account of any breach by that Member of these Regulations.

15.15 Notice to Members of Provisions of these Regulations. By executing these Regulations, each Member acknowledges that it has actual notice of (a) all of the provisions of these Regulations, including, without limitation, the restrictions on the Disposition of Membership Interests, set forth in Article 3, and (b) all of the provisions of the Certificate. Each Member hereby agrees that these Regulations constitute adequate notice of all such provisions, including, without limitation, any notice requirement under the Act and Article 8 of the UCC, and each Member hereby waives any requirement that any further notice thereunder be given.

15.16 Counterparts. These Regulations may be executed in any number of counterparts with the same effect as if all signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Members have executed these Regulations as of the date first set forth above.

MEMBERS:

Columbia Gas Transmission Corporation,
a Delaware corporation

By:_________________________________
Printed Name:________________________
Title:_______________________________

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

THIS IS A SIGNATURE PAGE TO THE REGULATIONS OF
MILLENNIUM PIPELINE MANAGEMENT CO., L.L.C.

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IN WITNESS WHEREOF, the Members have executed these Regulations as of the date first set forth above.

MCNIC LLC Millennium Company,
a Michigan corporation

By:___________________________________
Printed Name:_________________________
Title:________________________________

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

THIS IS A SIGNATURE PAGE TO THE REGULATIONS OF
MILLENNIUM PIPELINE MANAGEMENT CO., L.L.C.

63

IN WITNESS WHEREOF, the Members have executed these Regulations as of the date first set forth above.

TransCanada PipeLine USA Ltd..
a Nevada corporation

By:___________________________________
Printed Name:_________________________
Title:________________________________

By:___________________________________
Printed Name:_________________________
Title:________________________________

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

THIS IS A SIGNATURE PAGE TO THE REGULATIONS OF
MILLENNIUM PIPELINE MANAGEMENT CO., L.L.C.

64

IN WITNESS WHEREOF, the Members have executed these Regulations as of the date first set forth above.

Westcoast Power Marketing Inc.,
a Delaware corporation

By:___________________________________
Printed Name:_________________________
Title:________________________________

By:___________________________________
Printed Name:_________________________
Title:________________________________

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MILLENNIUM PIPELINE MANAGEMENT CO., L.L.C.

EXHIBIT A

INITIAL MEMBERS, MEMBERSHIP INTEREST AND INITIAL CAPITAL CONTRIBUTION

<TABLE>
<CAPTION>

MEMBER	MEMBERSHIP INTEREST	INITIAL CAPITAL CONTRIBUTION
<S>	<C>	<C>
Columbia	47.5	US$68,171
MCN	10.5%	US$15,069
TransCanada	21%	US$30,139
Westcoast	21%	US$30,139

</TABLE>

[End of Exhibit A]

EXHIBIT B

MEMBER OWNERS

<TABLE>
<CAPTION>

MEMBER	MEMBER OWNER(S)	OWNERSHIP PERCENTAGE
<S>	<C>	<C>
Columbia	Columbia Energy Group, a Delaware corporation	100%
Westcoast	Westcoast Energy, Inc., a Delaware corporation	100%
MCN	MCNIC Pipeline and Processing Company, a Michigan corporation	100%
TransCanada	TransCanada PipeLines Limited, a Canada corporation	100%

</TABLE>

[End of Exhibit B]

EXHIBIT C

INITIAL MANAGEMENT COMMITTEE

The initial Management Committee Members shall be as follows:

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MEMBER	MANAGEMENT COMMITTEE REPRESENTATIVE
Columbia	David C. Pentzien (Initial Chairman)
Westcoast	John Wolnik
MCN	Mike Feodorov
TransCanada	Brian Fowler

[End of Exhibit C]

EXHIBIT D

INITIAL OFFICERS

The initial officer(s) of the Company shall be as follows:

David C. Pentzien - Chairman

[End of Exhibit D]

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Exhibit 10CK

AMENDED AND RESTATED
364-DAY CREDIT AGREEMENT

Dated as of March 10, 1999

THIS AMENDED AND RESTATED 364-DAY CREDIT AGREEMENT (this "Amendment and Restatement") among COLUMBIA ENERGY GROUP, a Delaware corporation (the "Borrower"), the banks, financial institutions and other institutional lenders parties to the Credit Agreement referred to below (collectively, the "Lenders"), and SALOMON SMITH BARNEY INC., as arranger and book manager ("Arranger and Book Manager"), and CITIBANK, N.A. ("Citibank"), as administrative and syndication agent (the "Agent") for the Lenders, evidences the agreement of the parties as follows:

PRELIMINARY STATEMENTS:

(1) The Borrower, the Lenders and the Agent have entered into a 364-Day Credit Agreement originally dated as of March 11, 1998 (the "Credit Agreement"). Capitalized terms not otherwise defined in this Amendment and Restatement have the same meanings as specified in the Credit Agreement.

(2) The Borrower and the Lenders have agreed to amend the Credit Agreement as hereinafter set forth and to restate the Credit Agreement in its entirety to read as set forth in the Credit Agreement with the amendments specified below.

SECTION 1. Amendments to Credit Agreement. The Credit Agreement shall be effective as of the date hereof and, subject to the satisfaction of the conditions precedent set forth in Section 3.02, is hereby amended as follows:

(a) The following definitions appearing in Section 1.01 are amended in full to read as follows:

"Arranger and Book Manager" means Salomon Smith Barney Inc., as arranger of the syndicate of Lenders hereunder.

"Critical Third Parties" shall have the meaning specified in Section 4.01(m).

"Information Memorandum" means the information memorandum dated February 1999 used by the Arranger and Book Manager in connection with the syndication of the Revolving Credit Commitments.

"Termination Date" means the earlier of (a) March 8, 2000 or, if extended pursuant to Section 2.16(a), the date that is 364 days after the Termination Date then in effect, and (b) the date of termination in whole of the Revolving Credit Commitments pursuant to Section 2.03 or 6.01.

"Year 2000 Problem" and "Year 2000 Compliant" shall have the meanings specified in Section 4.01(m).

(b) The chart contained in the definition of "Applicable Margin" in Section 1.01 is amended to read in full as set forth on Exhibit A hereto.

(c) Section 2.07 is amended by adding a new Section 2.07(e) which reads as follows:

"(e) Utilization Fee. With respect to every day on which the sum of all outstanding Advances is greater than 25% of the aggregate amount of the Revolving Credit Commitments, the Borrower agrees to pay to the Agent for the account of each Lender a utilization fee based on the daily aggregate amount of such Lender's Revolving Credit Commitment, calculated on a daily basis and payable quarterly in arrears at a rate per annum equal at all times to either (i) the lower percentage set forth in Column 6 of Exhibit A hereto during such periods as the sum of all outstanding Advances is greater than 25% but not more than 75% of the aggregate amount of the Revolving Credit Commitments, or (ii) the higher percentage set forth in Column 6 of Exhibit A hereto during such periods

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as the sum of all outstanding Advances is greater than 75% of the aggregate amount of the Revolving Credit Commitments."

(d) Section 2.12 is amended to delete the word "facility" in each place in which said word appears therein.

(e) Section 3.01(a) is amended by deleting the reference to "December 31, 1996" and substituting "December 31, 1997" therefor.

(f) Section 4.01(e) is amended by deleting the reference to "December 31, 1996" in each place in which it appears and substituting "December 31, 1997" therefor, and deleting the reference to "September 30, 1997" in each place in which it appears and substituting "September 30, 1998" therefor.

(g) Section 4.01 is amended by adding Section 4.01(m) which reads as follows:

"(m) The Borrower has (i) initiated a review and assessment of all areas within its and each of its Subsidiaries' business and operations (including those affected by suppliers, vendors and customers that, in each case, are material to the business and operations of the Borrower and its Subsidiaries taken as a whole ("Critical Third Parties")) that could be adversely affected by the inability of computer applications used by the Borrower or any of its Subsidiaries (or Critical Third Parties) to recognize and perform properly date-sensitive functions involving dates on or after January 1, 2000 (the "Year 2000 Problem"), (ii) developed a plan and timetable for addressing the Year 2000 Problem on a timely basis and (iii) to date, implemented that plan in accordance with such timetable. Based on the foregoing, the Borrower believes that all computer applications used by the Borrower or any of its Subsidiaries that are material to the business and operations of the Borrower and its Subsidiaries taken as a whole are reasonably expected on a timely basis to be able to perform properly date-sensitive functions for all dates on or after January 1, 2000 ("Year 2000 Compliant"), except to the extent that a failure to do so could not reasonably be expected to have a Material Adverse Effect."

(h) Section 5.01(i) is amended by deleting the word "and" following Section 5.01 (i)(xi), adding a new Section 5.01(i)(xii) which reads as set forth below, and re-designating Section 5.01(i)(xii) as Section 5.01(i)(xiii):

"(xii) promptly after the Borrower's discovery or determination thereof, notice (in reasonable detail) that any computer application (including those of Critical Third Parties) that is material to the business and operations of the Borrower and its Subsidiaries taken as a whole will not be Year 2000 Compliant, except to the extent that such failure could not reasonably be expected to have a Material Adverse Effect."

(i) The Commitments are amended to read in full as set forth on Schedule I hereto.

SECTION 2. Conditions of Effectiveness. This Amendment and Restatement shall become effective as of the date first above written when, and only when, the Agent shall have received counterparts of this Amendment and Restatement executed by the Borrower and all of the Lenders that have a Commitment greater than $0 on Schedule I or, as to any of the Lenders, advice satisfactory to the Agent that such Lender has executed this Amendment and Restatement and when the Agent shall have additionally received all of the following documents, each such document (unless otherwise specified) dated the date of receipt thereof

by the Agent (unless otherwise specified) and (except for the Revolving Credit Notes) in sufficient copies for each Lender, in form and substance satisfactory to the Agent (unless otherwise specified):

(a) The new Revolving Credit Notes issued in connection with this Amendment and Restatement to the order of each of the Lenders which has a Commitment in a different amount from that with respect to the Credit Agreement.

(b) Certified copies of (i) the resolutions of the Board of

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Directors of the Borrower approving (or authorizing the transactions encompassed by) this Amendment and Restatement and (ii) all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Amendment and Restatement.

(c) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Amendment and Restatement and the other documents to be delivered hereunder.

(d) A favorable opinion of LeBoeuf, Lamb, Greene & MacRae, L.L.P., counsel for the Borrower, in substantially the form of Exhibit B hereto.

(e) A favorable opinion of Shearman & Sterling, counsel for the Agent, in form and substance satisfactory to the Agent.

(f) A certificate signed by a duly authorized officer of the Borrower stating that:

(i) The representations and warranties contained in Section 4.01 of the Credit Agreement and in Section 3 hereof are correct on and as of the date of such certificate as though made on and as of such date; and

(ii) No event has occurred and is continuing that constitutes a Default.

SECTION 3. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) The execution, delivery and performance by the Borrower of this Amendment and Restatement are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action and do not contravene (i) the Borrower's charter or by-laws or (ii) any law or any contractual restriction binding on

or affecting the Borrower, except where such contravention would not be reasonably likely to have a Material Adverse Effect.

(b) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery or performance by the Borrower of this Amendment and Restatement, except where the Borrower's failure to receive, take or make such authorization, approval, action, notice or filing would not have a Material Adverse Effect.

(c) This Amendment and Restatement has been duly executed and delivered by the Borrower. This Amendment and Restatement is a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and general principles of equity.

SECTION 4. Reference to and Effect on the Credit Agreement. (a) On and after the effectiveness of this Amendment and Restatement, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended and restated by this Amendment and Restatement; provided, however, that the word "hereafter" appearing in the definition of "Material Subsidiaries" in Section 1.01 shall refer to the period after March 11, 1998. Each Lender on Schedule I with a Commitment of "$0" shall cease to be a party to the Credit Agreement.

(b) The Credit Agreement, as specifically amended and restated by this Amendment and Restatement, is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment and Restatement shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Agent under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement.

SECTION 5. Costs, Expenses, Etc. The Borrower agrees to pay on demand all costs and expenses of the Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Amendment and Restatement and the other instruments and documents to be delivered hereunder (including, without limitation, the reasonable fees and expenses of counsel for the Agent) in accordance with the terms of Section 8.04 of the Credit Agreement. The Agent agrees to request as promptly as practicable

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from (a) Lenders whose Revolving Credit Notes are being replaced pursuant to this

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Amendment and Restatement as of the date hereof, and (b) Lenders who shall have ceased to be parties to the Credit Agreement as of the date hereof, the return of their old Revolving Credit Notes. The Agent agrees to release any new Revolving Credit Note payable to a Lender only upon the return of the old Revolving Credit Note payable to such Lender.

SECTION 6. Execution in Counterparts. This Amendment and Restatement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment and Restatement by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment and Restatement.

SECTION 7. Governing Law. This Amendment and Restatement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment and Restatement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

COLUMBIA ENERGY GROUP

By

Title:

SALOMON SMITH BARNEY INC.,
as Arranger and Book Manager

By

Title:

CITIBANK, N.A.,
as Administrative and Syndication Agent

By

Title:

7

Lenders

CITIBANK, N.A.

By

Name:
Title:

THE CHASE MANHATTAN BANK

By

Name:
Title:

PNC BANK, NATIONAL
ASSOCIATION

By

Name:

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Title:

CANADIAN IMPERIAL BANK OF
COMMERCE

By

Name:
Title:

8

BANK OF MONTREAL

By

Name:
Title:

FIRST UNION NATIONAL BANK

By

Name:
Title:

THE BANK OF NOVA SCOTIA

By

Name:
Title:

THE FIRST NATIONAL BANK OF
CHICAGO

By

Name:
Title:

BANKERS TRUST COMPANY

By

Name:
Title:

9

CRESTAR BANK

By

Name:
Title:

THE FIRST NATIONAL BANK OF
MARYLAND, A DIVISION OF FMB
BANK

By

Name:
Title:

NATIONAL CITY BANK

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By

Name:
Title:

COMMERZBANK AG,
NEW YORK BRANCH

By

Name:
Title:

By

Name:
Title:

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BANK OF TOKYO-MITSUBISHI
TRUST COMPANY

By

Name:
Title:

UNION BANK OF CALIFORNIA

By

Name:
Title:

ARAB BANK, PLC

By

Name:
Title:

BANCA MONTE DEI PASCHI DI
SIENA S.p.A.

By

Name:
Title:

By

Name:
Title:

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BANK OF AMERICA N.T. & S.A.

By

Name:
Title:

SOCIETE GENERALE

By

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Name:
Title:

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SCHEDULE I

<TABLE>
<CAPTION>

NAME OF INITIAL LENDER	DOMESTIC LENDING OFFICE	EURODOLLAR LENDING OFFICE	AMOUNT OF COMMITMENT
<S>	<C>	<C>	<C>
Citibank, N.A.	2 Penn's Way, Suite 200 New Castle, DE, 19720 Patrice Williams Fax: 302-894-6120	2 Penn's Way, Suite 200 New Castle, DE, 19720 Patrice Williams Fax: 302-894-6120	$50,000,000
The Chase Manhattan Bank	1 Chase Manhattan Plaza- 8th Floor New York, NY 10081 Lynette Lang Tel: 212-552-7692 Fax: 212-552-5777	1 Chase Manhattan Plaza- 8th Floor New York, NY 10081 Lynette Lang Tel: 212-552-7692 Fax: 212-552-5777	$50,000,000
PNC Bank, National Association	249 Fifth Ave., 6th Fl. Pittsburgh, PA 15222 Tina Lanuka Tel: 412-768-5876 Fax: 412-768-4586	249 Fifth Ave., 6th Fl. Pittsburgh, PA 15222 Tina Lanuka Tel: 412-768-5876 Fax: 412-768-4586	$40,000,000
Canadian Imperial Bank of Commerce	Two Paces West, Suite 1200 2727 Paces Ferry Road, NW Atlanta, GA 30339 Tel: 770-319-4821 Fax: 770-319-4950	Two Paces West, Suite 1200 2727 Paces Ferry Road, NW Atlanta, GA 30339 Tel: 770-319-4821 Fax: 770-319-4950	$38,000,000
Bank of Montreal	115 South LaSalle St., 11th Fl. Chicago, IL 60603 Client Services Tel: 312-750-3758 Fax: 312-750-4345	115 South LaSalle St., 11th Fl. Chicago, IL 60603 Client Services Tel: 312-750-3758 Fax: 312-750-4345	$33,333,333

</TABLE>

13

<TABLE>
<CAPTION>

NAME OF INITIAL LENDER	DOMESTIC LENDING OFFICE	EURODOLLAR LENDING OFFICE	AMOUNT OF COMMITMENT
<S>	<C>	<C>	<C>
First Union National Bank	One First Union Center 301 South College Street Charlotte, NC 28209 Dave Johnson Tel: 704-383-7686 Fax: 704-383-6670	One First Union Center 301 South College Street Charlotte, NC 28209 Dave Johnson Tel: 704-383-7686 Fax: 704-383-6670	$33,333,333
The Bank of Nova Scotia	600 Peachtree Street NE, Suite 2700 Atlanta, GA 30308 Cleve Buchey Tel: 404-877-1500 Telex: 00542319 Fax: 404-888-8998	600 Peachtree Street NE, Suite 2700 Atlanta, GA 30308 Cleve Buchey Tel: 404-877-1500 Telex: 00542319 Fax: 404-888-8998	$30,000,000
The First National Bank of Chicago	One First National Plaza, Suite 0363 Chicago, IL 60670 Kenneth Bauer Tel: 312-732-6282 Fax: 312-732-3055	One First National Plaza, Suite 0363 Chicago, IL 60670 Kenneth Bauer Tel: 312-732-6282 Fax: 312-732-3055	$25,000,000
Bankers Trust Company	130 Liberty Street, 14th Floor New York, NY 10006 Jim Cullen Tel: 212-250-7343 Fax: 212-250-7351	130 Liberty Street, 14th Floor New York, NY 10006 Jim Cullen Tel: 212-250-7343 Fax: 212-250-7351	$25,000,000

</TABLE>

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<TABLE>
<CAPTION>

NAME OF INITIAL LENDER	DOMESTIC LENDING OFFICE	EURODOLLAR LENDING OFFICE	AMOUNT OF COMMITMENT
<S>	<C>	<C>	<C>
Crestar Bank	1445 New York Ave., NW 5th Fl. Washington, D.C. 20005 Nancy Petrash Tel: 202-879-6432 Fax: 202-879-6137	1445 New York Ave., NW 5th Fl. Washington, D.C. 20005 Nancy Petrash Tel: 202-879-6432 Fax: 202-879-6137	$17,000,000
The First National Bank of Maryland, a division of FMB Bank	601 13th St., N.W., Suite 1000 North Washington, D.C. Shaun Murphy Tel: 202-661-7231 Fax: 202-661-7238	601 13th St., N.W., Suite 1000 North Washington, D.C. Shaun Murphy Tel: 202-661-7231 Fax: 202-661-7238	$16,666,667
National City Bank	155 East Broad Street Columbus, OH 43251-0034 Gregory Miller, V.P. Tel: 614-463-8350 Fax: 614-463-6770	155 East Broad Street Columbus, OH 43251-0034 Gregory Miller, V.P. Tel: 614-463-8350 Fax: 614-463-6770	$16,666,667
Commerzbank AG, New York Branch	Two World Financial Center New York, NY 10281 Dempsey L. Gable Tel: 212-266-7560 Fax: 212-266-7530	Two World Financial Center New York, NY 10281 Dempsey L. Gable Tel: 212-266-7560 Fax: 212-266-7530	$15,000,000
Bank of Tokyo-Mitsubishi Trust Company	1251 Avenue of the Americas New York, NY 10020-1104 Rolando Uy Tel: 212-782-5637 Fax: 201-413-8225	1251 Avenue of the Americas New York, NY 10020-1104 Rolando Uy Tel: 212-782-5637 Fax: 201-413-8225	$10,000,000

</TABLE>

15

<TABLE>
<CAPTION>

NAME OF INITIAL LENDER	DOMESTIC LENDING OFFICE	EURODOLLAR LENDING OFFICE	AMOUNT OF COMMITMENT
<S>	<C>	<C>	<C>
Union Bank of California	Energy Capital Services 445 S. Figueroa St., 15th Fl. Los Angeles, CA 90071 David Musicant, VP Tel: 213-236-5023 Fax: 213-236-4096	Energy Capital Services 445 S. Figueroa St., 15th Fl. Los Angeles, CA 90071 David Musicant, VP Tel: 213-236-5023 Fax: 213-236-4096	$10,000,000
Arab Bank, PLC	520 Madison Ave. New York, NY 10022 John Adams, VP Tel: 212-715-9765 Fax: 212-593-4632	520 Madison Ave. New York, NY 10022 John Adams, VP Tel: 212-715-9765 Fax: 212-593-4632	$10,000,000
Banca Monte dei Paschi di Siena S.p.A.	55 East 59th Street- 9th Fl. New York, NY 10022-1112 Nicolas Kanaris V.P. Tel: 212-891-3655 Fax: 212-891-3661	55 East 59th Street- 9th Fl. New York, NY 10022-1112 Nicolas Kanaris V.P. Tel: 212-891-3655 Fax: 212-891-3661	$10,000,000
Bank of America N.T. & S.A.	700 Louisiana Street 8th Floor Houston, TX 77002 Tel: 713-247-7373 Fax: 713-247-6568	700 Louisiana Street 8th Floor Houston, TX 77002 Tel: 713-247-7373 Fax: 713-247-6568	$10,000,000
Societe Generale	1221 Avenue of the Americas New York, NY 10020 Gordon Eadon Tel: 212-278-6880 Fax: 212-278-6144	1221 Avenue of the Americas New York, NY 10020 Gordon Eadon Tel: 212-278-6880 Fax: 212-278-6144	$10,000,000

</TABLE>

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<TABLE>
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NAME OF INITIAL LENDER	DOMESTIC LENDING OFFICE	EURODOLLAR LENDING OFFICE	AMOUNT OF COMMITMENT
<S>	<C>	<C>	<C>
Morgan Guaranty Trust Company of New York	60 Wall St. New York, NY 10260 Jim Finch Fax: 212-648-5014	Nassau Bahamas Office c/o J.P. Morgan Services, Inc. Euro-Loan Servicing Unit 500 Stanton Christiana Road Newark, DE 19713 Telex: 177425 MBDEL UT Fax: 302-634-1094	$ 0
Credit Agricole Indosuez	600 Travis Street, Suite 2340 Houston, TX 77002 Brian Knezeak Tel: 713-223-7001 Fax: 713-223-7029	600 Travis Street, Suite 2340 Houston, TX 77002 Brian Knezeak Tel: 713-223-7001 Fax: 713-223-7029	$ 0

</TABLE>

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EXHIBIT A

<TABLE>
<CAPTION>

Public Debt Rating S&P/Moody's	Applicable Margin for Base Rate Advances	Applicable Margin for Eurodollar Rate Advances	Applicable Margin for CD Rate Advances	Applicable Margin for Facility Fee	Applicable Margin for Utilization Fee (25%/75%)
<S>	<C>	<C>	<C>	<C>	<C>
Level 1 AA-/AA3 or higher	0	.13%	.255%	.05%	.25%/.375%
Level 2 A+/A/A-/A1/A2/A3	0	.20%	.325%	.06%	.25%/.375%
Level 3 BBB+/Baa1	0	.215%	.34%	.085%	.30%/.50%
Level 4 BBB/Baa2	0	.26%	.385%	.105%	.375%/.625%
Level 5 BBB-/Baa3 or lower	0	.31%	.45%	.125%	.50%/.75%

</TABLE>

EXECUTION COPY

U.S. $450,000,000

AMENDED AND RESTATED 364-DAY CREDIT AGREEMENT

Dated as of March 10, 1999

among

COLUMBIA ENERGY GROUP,

as Borrower,

and

THE LENDERS NAMED HEREIN,

as Lenders,

and

SALOMON SMITH BARNEY INC.,

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as Arranger and Book Manager,

and

CITIBANK, N.A.,

as Administrative and Syndication Agent,

and

THE CHASE MANHATTAN BANK AND
PNC BANK, NATIONAL ASSOCIATION,

as Documentation Agents,

and

CANADIAN IMPERIAL BANK OF COMMERCE,
BANK OF MONTREAL, FIRST UNION NATIONAL BANK
AND THE BANK OF NOVA SCOTIA,

as Senior Managing Agents,

and

THE FIRST NATIONAL BANK OF CHICAGO,
BANKERS TRUST COMPANY, CRESTAR BANK,
THE FIRST NATIONAL BANK OF MARYLAND, A DIVISION OF FMB BANK,
NATIONAL CITY BANK, COMMERZBANK AG, NEW YORK BRANCH,
BANK OF TOKYO-MITSUBISHI TRUST COMPANY AND
UNION BANK OF CALIFORNIA,

as Co-Agents

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Exhibit 12

COLUMBIA ENERGY GROUP AND SUBSIDIARIES

Statements of Ratio of Earnings to Fixed Charges

($ in millions)

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	Twelve Months Ended December 31,				
	1998	1997	1996	1995	1994
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Consolidated Income (Loss) from Continuing Operations before Income Taxes	401.0	392.2	337.5	(643.0)	392.2
Adjustments:					
Interest during construction	(2.1)	(3.0)	(1.1)	(20.2)	--
Distributed (Undistributed) equity income	(0.4)	3.6	1.5	(7.9)	(0.9)
Fixed charges (*)	173.1	182.0	184.6	1,061.3	33.7
Earnings Available	571.6	574.8	522.5	390.2	425.0
Fixed Charges:					
Interest on long-term and short-term debt	145.4	145.6	150.8	987.2	0.7
Other interest	9.6	15.4	13.5	53.6	14.1
Portion of rentals representing interest	18.1	21.0	20.3	20.5	18.9
Total Fixed Charges (**), (***)	173.1	182.0	184.6	1,061.3	33.7
Ratio of Earnings to Fixed Charges	3.30	3.16	2.83	N/A (a)	12.61

</TABLE>

(a) To achieve a one-to-one coverage, the Corporation would need an additional $671.1 million of earnings in 1995.

(*) Amounts for the twelve months ended December 31, 1994 through December 31, 1996 have been restated to conform to 1998 presentation.

(**) This amount excludes approximately $230 million and $210 million of interest expense not recorded for the twelve months ended December 31, 1994. This amount includes interest expense of $982.9 million including the write-off of unamortized discounts on debentures recorded in 1995. Reference is made to the Statements of Consolidated Income for the twelve months ended December 31, 1995, as reported on Form 10-K and Note 2 of Notes to Consolidated Financial Statements of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1995.

(***) This amount excludes $8.6 million of interest expense not recorded with respect to the registrant's guarantee of LESOP Trust's debentures for the twelve months ended December 31, 1994.

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EXHIBIT 21

SUBSIDIARIES OF THE COLUMBIA ENERGY GROUP
as of December 31, 1998

Segment / Subsidiary	State of Incorporation
Transmission and Storage Operations	
Columbia Gas Transmission Corporation	Delaware
Columbia Gulf Transmission Company	Delaware
Columbia Pipeline Corporation	Delaware
Distribution Operations	
Columbia Gas of Kentucky, Inc.	Kentucky
Columbia Gas of Maryland, Inc.	Delaware
Columbia Gas of Ohio, Inc.	Ohio
Columbia Gas of Pennsylvania, Inc.	Pennsylvania
Columbia Gas of Virginia, Inc.	Virginia
Exploration and Production Operations	
Columbia Energy Resources, Inc.	Texas
Marketing Operations	
Columbia Energy Services Corporation	Kentucky
Propane, Power Generation and LNG Operations	
Columbia LNG Corporation	Delaware
Columbia Atlantic Trading Corporation	Delaware
Columbia Propane Corporation	Delaware
Columbia Electric Corporation	Delaware
Columbia Energy Group Capital Corporation	Delaware
Corporate	
Columbia Energy Group Service Corporation	Delaware
Columbia Insurance Corporation, Ltd	Bermuda
Columbia Network Services Corporation	Delaware

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EXHIBIT 23-A

CONSENT

As independent petroleum and natural gas consultants, we hereby consent to the filing of this Letter Report dated January 22, 1999 in its entirety as an Exhibit to the 1998 Annual Report of Columbia Energy Group, to the Securities and Exchange Commission on Form 10-K, and any Registration Statement of Columbia Energy Group, relating to the issue of securities to the public during 1997; to the quotation or summarization of portions of this Letter Report, subject to our approval of the related page(s) of the document(s), in the 10-K, the Prospectus included in said Registration Statement(s) or the 1998 annual Report to Stockholders; and, subject to approval of the related page(s) of the document(s), to the use of our name and the reliance upon our authority as experts in said Annual Report to Stockholders, Form 10-K and Prospectus(es) and in Part II of said Registration Statement(s). We have no interest of a substantial or material nature in Columbia Energy Group, or in any affiliate, nor are we to receive any such interest as payment for the preparation of this Letter Report; we have not been employed for such preparation on a contingent fee basis; and we are not connected with Columbia Energy Group, or any affiliate as a promoter, underwriter, voting trustee, director, officer, employee, or affiliate.

RYDER SCOTT COMPANY
PETROLEUM ENGINEERS

Houston, Texas
January 22, 1999

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EXHIBIT 23-B

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated February 11, 1999, included in Columbia Energy Group's 1998 Annual Report on Form 10-K, into the following previously filed registration statements:

1. Form S-8 of Columbia Energy Group (File No. 33-03869)
2. Form S-8 of Columbia Energy Group (File No. 33-42776)

New York, New York
March 26, 1999

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EXHIBIT 23-C

February 2, 1999

RE: EVALUATION OF THE P&NG RESERVES OF COLUMBIA NATURAL RESOURCES (AS OF DECEMBER 31, 1998) CONSTANT PRICE AND COST VERSION FOR U.S. SECURITIES REPORTING REQUIREMENTS

As independent petroleum and natural gas consultants, we hereby consent to the filing of this Letter Report in its entirety as an Exhibit to the 1998 Annual Report of Columbia Energy Group to the Securities and Exchange Commission on Form 10-K, and any Registration Statement of Columbia Energy Group, relating to the issue of securities to the public during 1999; to the quotation or summarization of portions of this Letter Report, subject to our approval of the related page(s) of the documents(s), in the 10-K, the Prospectus included in said Registration Statement(s) or the 1998 Annual Report to Stockholders; and, subject to approval of the related page(s) of the document(s), to the use of our name and the reliance upon our authority as experts in said Annual Report to Stockholders, Form 10-K and Prospectus(es) and in Part II of said Registration Statement(s). We have no interest of a substantial or material nature in Columbia Energy Group, or in any affiliate, nor are we to receive any such interest as payment for the preparation of this Letter Report; we have not been employed for such preparation on a contingent fee basis; and we are not connected with Columbia Energy Group or any affiliate as a promoter, underwriter, voting trustee, director, officer, employee, or affiliate.

R. N. Johnson, P. Eng.
Senior Reservoir Engineer

/s/ K. H. Crowther

K. H. Crowther, P. Eng.
Executive Vice-President

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