

SECURITIES AND EXCHANGE COMMISSION

FORM U-1/A

Application or declaration under the act 1935 [amend]

Filing Date: **1994-01-19**
SEC Accession No. **0000950133-94-000013**

([HTML Version](#) on secdatabase.com)

FILER

COLUMBIA GAS SYSTEM INC

CIK: **22099** | IRS No.: **131594808** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
Type: **U-1/A** | Act: **35** | File No.: **070-08317** | Film No.: **94501843**
SIC: **4923** Natural gas transmissison & distribution

Business Address
20 MONTCHANIN RD
WILMINGTON DE 19807
3024295000

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1 to Form U-1

APPLICATION-DECLARATION
UNDER
THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

THE COLUMBIA GAS SYSTEM, INC.
COLUMBIA LNG CORPORATION
20 Montchanin Road
Wilmington, DE 19807

(Names of company or companies filing this statement
and addresses of principal executive offices)

L. J. Bainter, Treasurer
THE COLUMBIA GAS SYSTEM, INC.

J. W. Grossman, Treasurer
COLUMBIA LNG CORPORATION
20 Montchanin Road
Wilmington, DE 1980

(Name and address of agents for service)

This Application-Declaration is hereby amended by restating Item 3 in its entirety and to include the following exhibits:

Item 3. Applicable Statutory Provisions.

(a) State the section of the Act and the rules thereunder believed to be applicable to the proposed transaction. If any section or rule would be

applicable in absence of a specific exemption, state the basis of exemption.

Sections 9 and 10 of the Act and Rule 43 promulgated thereunder are applicable to the acquisition by Columbia of the common stock of Columbia LNG and the acquisition by Columbia LNG of the securities of the CLG Subsidiaries and the acquisition by Columbia LNG and/or the CLG Subsidiaries of Partnership interests.

The issuance and sale by Columbia LNG of common stock are subject to Sections 6 and 7. The issuance of common stock by Columbia LNG and the securities of the CLG Subsidiaries are excepted from the competitive bidding requirements of Rule 50 by Subparagraph (a)(3).

Columbia's capital contribution and suspension of debt service for the outstanding Columbia LNG debt are subject to Section 12(b) and Rule 45. The reacquisition of the installment promissory notes by Columbia LNG is subject to Section 12(c) and Rule 42. The requirements of Sections 12(b) and 12(c) and Rules 45 and 42 will have been complied with when this Declaration is declared effective.

3

3

Sections 6 and 7, and Rule 46 of the Act may be deemed applicable to the reduction in par value to the extent that the amendment of Columbia LNG's Certificate of Incorporation might be deemed to affect the rights of security holders, and any dividend issued in future years might be deemed derived from sums which were stated capital prior to the reduction in par value.

Columbia LNG's acquisition of a 50% partnership interest is subject to Rule 51.

The requirements of Rule 16 will have been met when this Declaration is declared effective and the Partnership will be exempt, pursuant to Rule 16, from the duties and obligations of a subsidiary or an affiliate of a registered holding company under the Act since (i) Columbia LNG will not own more than 50% of the outstanding shares of the Partnership, (ii) the Partnership will primarily be engaged in the transportation, storage or supply of natural gas, (iii) the Partnership will continue not to be a public utility company as defined in Section 2(a)(5) of the Act, and (iv) the acquisition of Columbia LNG's interests in the Partnership will have been approved by the Commission.

It is requested that authority be granted to file certificates under Rule 24 on a quarterly basis with respect to the proposed transactions hereafter consummated pursuant to this Application-Declaration, not later than 30 days following the end of each quarter.

To the extent that the transactions which are the subject matter of this Application-Declaration are considered by the Commission to require authorization, approval or exemption under any section of the Act or provision of the rules and regulations other than those specifically referred to herein, request for such authorization, approval or exemption is hereby made.

Item 6. Exhibits and Financial Statements.

(a) Exhibits

- B-1 Partnership Agreement between Columbia LNG Corporation and PEPCO Enterprises, Inc.
- D-1 Motion to the United States Bankruptcy Court for the District of Delaware requesting approval of proposed transactions.
- D-2 Order from the United States Bankruptcy Court for the District of Delaware approving the proposed transactions.
- H-3 1994 and 1995 Cash Flow Statements for Columbia LNG Corporation (Confidential Treatment Requested).
- H-4 Projected Partnership economic analyses (Confidential Treatment Requested).
- H-5 1994 and 1995 partnership cash forecasts (Confidential Treatment Requested).

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this Declaration to be

signed on their behalf by the undersigned thereunto duly authorized.

The signatures of the Applicants and of the persons signing on their behalf are restricted to the information contained in this Declaration which is pertinent to the application of the respective companies.

THE COLUMBIA GAS SYSTEM, INC.

Date: January 19, 1994

By: /S/ L. J. BAINTER

L. J. Bainter
Treasurer

COLUMBIA LNG CORPORATION

Date: January 19, 1994

By: /S/ J. W. GROSSMAN

J. W. Grossman
Treasurer

6

EXHIBIT INDEX

(a) Exhibits

- B-1 Partnership Agreement between Columbia LNG Corporation and PEPCO Enterprises, Inc.
- D-1 Motion to the United States Bankruptcy Court for the District of Delaware requesting approval of proposed transactions.
- D-2 Order from the United States Bankruptcy Court for the District of Delaware approving the proposed transactions.
- H-3 1994 and 1995 Cash Flow Statements for Columbia LNG Corporation Confidential Treatment Requested).
- H-4 Projected Partnership economic analyses

H-5 1994 and 1995 partnership cash forecasts
(Confidential Treatment Requested).

AGREEMENT OF LIMITED PARTNERSHIP

OF

COVE POINT LNG COMPANY, L.P.

=====

This Agreement of Limited Partnership (this "Agreement") of Cove Point LNG Company, L.P., is entered into by and between Columbia LNG Corporation, a Delaware corporation, as general partner (the "General Partner"), and Cove Point Energy Company, a Delaware corporation, as limited partner (the "Initial Limited Partner").

The General Partner and the Initial Limited Partner hereby form a limited partnership pursuant to and in accordance with the Delaware Revised Uniform Limited Partnership Act (6 Del.C. Section 17-101, et seq.), as amended from time to time (the "Act"), and hereby agree as follows:

1. NAME. The name of the limited partnership formed hereby is Cove Point LNG Company, L.P. (the "Partnership").
2. PURPOSE. The Partnership is formed for the object and purpose of, and the nature of the business to be conducted and promoted by the Partnership is, engaging in any lawful act or activity for which limited partnerships may be formed under the Act and engaging in any and all activities necessary or incidental to the foregoing.
3. REGISTERED OFFICE. The registered office of the Partnership in the State of Delaware is c/o Columbia LNG Corporation, 20 Montchanin Road, Wilmington, New Castle County, Delaware 19807.
4. REGISTERED AGENT. The name and address of the registered agent of the Partnership for service of process on the Partnership in the State of Delaware is Columbia LNG Corporation, 20 Montchanin Road, Wilmington, New Castle County, Delaware 19807.

5. PARTNERS. The names and the business, residence or mailing address of the General Partner and the Initial Limited Partner are as follows:

GENERAL PARTNER:

Columbia LNG Corporation
20 Montchanin Road
Wilmington, Delaware 19807

8

INITIAL LIMITED PARTNER:

Cove Point Energy Company
1900 Pennsylvania Avenue, N.W.
Washington, D.C. 20068

6. POWERS. The powers of the General Partner include all powers, statutory and otherwise, possessed by general partners under the laws of the State of Delaware.

Notwithstanding the foregoing, without the prior written consent of the Initial Limited Partner, the General Partner shall not, and shall not cause the Partnership to:

- (a) sell, exchange, lease, mortgage, assign, pledge or otherwise transfer, dispose of or grant a security interest in any asset of the Partnership;
- (b) incur any indebtedness (whether direct, contingent or otherwise, including by guarantee) of the Partnership;
- (c) admit any additional partner (general or limited) to the Partnership;
- (d) amend or modify this Agreement;
- (e) enter into any agreement, arrangement or understanding with any affiliate of the General Partner; or
- (f) take any action which is reasonably likely to result in the Initial Limited Partner not being entitled to the limitation of liability provisions set forth in Section 17-303 of the Act.

7. DISSOLUTION. The Partnership shall dissolve, and its affairs shall be wound up, on December 31, 1995, or at such earlier time as (a) all of the partners of the Partnership approve in writing, (b) an event of withdrawal of a general partner has occurred under the Act, or (c) an entry of a decree of judicial dissolution has occurred under Section 17-802 of the Act; provided, however, the Partnership shall not be dissolved or required to be wound up upon an event of withdrawal of a general partner described in Section 7(b) if (i) at

the time of such event of withdrawal, there is at least one (1) other general partner of the Partnership who carries on the business of the Partnership (any remaining general partner being hereby authorized to carry on the business of the Partnership), or (ii) within ninety (90) days after the occurrence of such 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 (1) or more additional general partners of the Partnership.

2

9

8. CAPITAL CONTRIBUTIONS. The partners of the Partnership have contributed the following amounts, in cash, and no other property, to the Partnership:

GENERAL PARTNER: \$10.00

INITIAL LIMITED PARTNER: \$10.00

9. ADDITIONAL CONTRIBUTIONS. No partner of the Partnership is required to make any additional capital contribution to the Partnership, except upon the written consent of all partners following the receipt, by the partners and Partnership, of all necessary regulatory approvals.

10. ALLOCATION OF PROFITS AND LOSSES. The Partnership's profits and losses shall be allocated in proportion to the capital contributions of the partners of the Partnership.

11. DISTRIBUTIONS. Distributions shall be made to the partners of the Partnership at the times and in the aggregate amounts determined by the General Partner. Such distributions shall be allocated among the partners of the Partnership in the same proportion as their then capital account balances.

12. ASSIGNMENTS. Each partner may assign all or any part of its partnership interest in the Partnership only with the written consent of the other partner.

13. WITHDRAWAL. Any partner of the Partnership may withdraw, without liability hereunder to any remaining Partner, from the Partnership by providing the other partner with at least five (5) days prior written notice of the effective date of such withdrawal.

14. ADMISSION OF ADDITIONAL PARTNERS.

(a) Subject to Section 14(b), one (1) or more additional partners of the Partnership may be admitted to the Partnership with the written consent of both partners.

(b) Upon receipt of a notice from the Initial Limited Partner of its intention to withdraw from the Partnership pursuant to Section 13, the General Partner may admit an additional limited partner without the consent of the Initial Limited Partner. Such additional limited partner shall be deemed to be admitted to the Partnership prior to the effective date of the withdrawal of the Initial Limited Partner.

15. LIABILITY OF INITIAL LIMITED PARTNER. The Initial Limited Partner shall not participate in the management of the Partnership and, to the maximum extent provided in the Act, shall not have any liability for the obligations or liabilities of the Partnership.

3

10

16. GOVERNING LAW. This Agreement shall be governed by, and construed under, the laws of the State of Delaware, all rights and remedies being governed by said laws.

IN WITNESS WHEREOF, the undersigned, intending to be legally bound hereby, have duly executed this Agreement of Limited Partnership as of the 28th day of October, 1993.

GENERAL PARTNER:

COLUMBIA LNG CORPORATION

By: /S/ L. MICHAEL BRIDGES

President

INITIAL LIMITED PARTNER:

COVE POINT ENERGY COMPANY

By: /S/ JOHN M. DERRICK, JR.

President

11

EXHIBIT D-1

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re)	Chapter 11
)	
THE COLUMBIA GAS SYSTEM, INC. and)	
COLUMBIA GAS TRANSMISSION CORPORATION)	Case Nos. 91-803
)	804
Debtors.)	

MOTION FOR ORDER (I) AUTHORIZING TRANSACTIONS BY AND AMONG
COLUMBIA LNG CORPORATION, A SUBSIDIARY OF THE COLUMBIA GAS
SYSTEM, INC., AND PEPCO ENTERPRISES, INC., AND (II)
AUTHORIZING THE RECAPITALIZATION OF COLUMBIA LNG CORPORATION

TO: THE HONORABLE HELEN S. BALICK
UNITED STATES BANKRUPTCY JUDGE

The Columbia Gas System, Inc. ("CG" or "Debtor") hereby files this motion (the "Motion") for an Order (i) authorizing certain proposed transactions by and among Columbia LNG Corporation ("Columbia LNG") and Pepco Enterprises, Inc. ("Pepco Enterprises"), and (ii) authorizing the recapitalization of Columbia LNG, and respectfully represents as follows:

INTRODUCTION

1. On July 31, 1991 (the "Petition Date"), CG and one of its wholly-owned subsidiaries, Columbia Gas Transmission Corporation ("TCO" and together with CG, the "Debtors") filed petitions for reorganization under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") with this Court and were thereupon continued in the management of their respective

12

businesses and possession of their respective properties as

debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in these cases, except a fee examiner has been appointed by order of this Court.

2. On August 12, 1991, the United States Trustee appointed Official Committees of Unsecured Creditors for CG and TCO. On September 30, 1991, the United States Trustee appointed an Official Committee of Customers for TCO, and on October 18, 1991, the United States Trustee appointed an Official Committee of Equity Security Holders for CG.

3. This Court has jurisdiction over this application pursuant to 28 U.S.C. Sections 157 and 1334. Venue of these proceedings and the within application in this district is proper pursuant to 28 U.S.C. Sections 1408 and 1409. The statutory predicates for the relief sought herein are Sections 105, 363 and 1108 of the Bankruptcy Code.

4. The Debtors and their affiliates comprise one of the largest natural gas systems in the United States, composed of CG, a public utility holding company registered as such under the Public Utility Holding Company Act of 1935, as amended ("PUHCA"), a service company and eighteen other operating subsidiaries, including TCO. The subsidiaries of CG are primarily engaged in the exploration and production, purchase, storage, transmission and distribution of natural gas at wholesale and retail, as well as related resource development. One of the Debtor's subsidiaries,

Columbia LNG Corporation owns a terminal for the receipt, storage, and vaporation of liquefied natural gas ("LNG") located at Cove Point, Maryland (the "Terminal"), as well as a 36-inch pipeline that extends from Cove Point to Loudoun County, Virginia (the "Pipeline" and together with the Terminal, the "Facilities"), where it interconnects with the pipeline facilities of TCO.

BACKGROUND

5. CG holds 90.8% of Columbia LNG's issued and outstanding common stock. Columbia LNG's only other shareholder, Shell LNG Company ("Shell LNG"), acquired 9.2% of Columbia LNG's issued and outstanding common stock prior to the Petition Date. All of Columbia LNG's debt is held by CG.

6. The Facilities were built in the mid-1970's to import LNG and to resell vaporized LNG. Shipments of LNG to the Terminal commenced in March 1978, but were interrupted in April 1980 and have not resumed. The Pipeline is currently being used to provide limited, interruptible natural gas transportation service.(1) Except for this service, the Facilities have not been used to provide any services since LNG deliveries were interrupted in 1980, and the Facilities have been maintained in an inactive status since that time. The net book value of the Facilities, as currently reflected on Columbia LNG's books, is approximately \$25 million.

1 The limited, interruptible transportation service provided through the Pipeline generated approximately \$346,000 in revenue in 1992.

3

14

7. On December 18, 1991, this Court issued an Order approving an agreement for the sale of Columbia LNG's stock to Shell LNG (the "Sales Agreement"), and other related agreements. Subsequently, Shell LNG gave CG written notice of its intent not to proceed with the transactions contemplated by the Sales Agreement thereby automatically terminating the Sales Agreement subject to certain provisions surviving such termination. Certain disputes then arose among CG and Shell LNG, among others, regarding the corporate governance of Columbia LNG. These disputes resulted in litigation which was resolved by a settlement agreement (the "Settlement Agreement"). On October 16, 1992, this Court issued an Order Authorizing and Approving the Settlement Agreement.

8. As a result of the termination of the transactions contemplated by the Sales Agreement with Shell LNG, and after the approval of the Settlement Agreement by this Court, Columbia began to actively develop a new business plan for Columbia LNG. CG has engaged Morgan Stanley & Co. Incorporated ("Morgan Stanley") as special financial advisor to assist it in connection with the development and implementation of this new business plan for Columbia LNG. On October 16, 1992, this Court issued an Order authorizing CG to retain Morgan Stanley.

9. After extensive studies of Columbia LNG's operations and analyses of various business structures which would permit Columbia to maximize the value of its investment in Columbia LNG, and after discussions with both potential customers and with third parties who expressed an interest in investing in Columbia LNG, CG

4

15

concluded that it would seek to obtain the most value for its interest in Columbia LNG by pursuing a strategic business arrangement with a third party and to offer, on an open-access basis, peaking service, and firm and interruptible transportation utilizing the Pipeline.

10. Morgan Stanley and Columbia LNG conducted a search for potential interested parties and had discussions with third parties regarding the reactivation of the Facilities. These discussions resulted in Columbia LNG

entering into extensive negotiations with Pepco Enterprises, a wholly-owned subsidiary of Potomac Electric Power Company. These negotiations resulted in Columbia LNG and a subsidiary of Pepco Enterprises forming a limited partnership, Cove Point LNG Company, L.P. (the "Partnership") on October 28, 1993. Also on October 28, 1993, Columbia LNG and Pepco Enterprises agreed to a term sheet outlining the proposed transactions described in detail below (the "Transactions").(2)

11. For the reasons discussed in Paragraph 9 above, and in light of other alternatives, CG believes that the Transactions offer the best alternative available to CG to maximize the value of its investment in Columbia LNG for the benefit of CG and its creditors, stockholders and estate. The Facilities are

- - - - -

2 Columbia LNG and Pepco Enterprises are currently finalizing definitive transaction documents (the "Transaction Documents") consistent with the term sheet, including, without limitation, the final governing instrument of the Partnership, and an operating agreement, along with asset contribution and loan documentation with the goal of execution by December 27, 1993 or such later date as may be mutually agreed to.

16 strategically located to provide a peak-shaving service (the "Peaking Service") to potential direct customers and to customers served by interconnecting pipelines. In addition to the profit potential of establishing the Peaking Service, resumption of LNG imports at the Terminal may be possible in the future, although there are no current prospects for doing so.

12. Morgan Stanley has provided CG with an opinion letter (the "Opinion Letter") stating that the Transactions are fair from a financial point of view. A copy of the Opinion Letter is annexed hereto as Exhibit A.

RELIEF REQUESTED

13. By this Motion, CG seeks an order (i) authorizing the Transactions, pursuant to Sections 105 and 363 of the Bankruptcy Code, and (ii) authorizing the recapitalization of Columbia LNG in order to effectuate the Transactions, pursuant to Sections 105, 363 and 1108 of the Bankruptcy Code.

14. In order to provide the Peaking Service, the Partnership will recommission certain on-shore equipment at the Terminal and construct a new liquefaction unit and related equipment (the "Liquefier"). The Liquefier will convert natural gas belonging to the Partnership's customers into LNG for use in the Peaking Service. Once regulatory approvals are obtained, it is estimated that construction and recommissioning activities will take

approximately fourteen (14) months to complete. The Facilities will be operated by Columbia LNG or an affiliate

6

17

pursuant to an operating agreement to be entered into by the Partnership.

STRUCTURE AND CAPITAL

15. As part of the Transactions, Columbia LNG will contribute to the Partnership the Facilities (including specified associated rights and liabilities) and Pepco Enterprises will contribute to the Partnership \$10 million in equity and a loan commitment of \$15 million (the "Loan"), all of which will only occur on a date after all necessary regulatory approvals are obtained and certain conditions precedent are satisfied (the "Construction Capital Closing"). Both Columbia LNG and Pepco Enterprises, either directly or through subsidiaries, will obtain a 50% interest and equal voting rights in the Partnership in exchange for their respective contributions to the Partnership.

16. After Construction Capital Closing, the proceeds from Pepco Enterprises' \$10 million equity contribution and the \$15 million Loan will be used for recommissioning the Facilities (including building the Liquefier), operating and maintenance expenses, and working capital. Any additional amounts necessary prior to the completion of the recommissioning of the Facilities will be provided by Columbia LNG in an aggregate amount up to a maximum of \$7.0 million.

7

18

CONDITIONS PRECEDENT TO TRANSACTIONS

17. The Transactions are subject to several conditions precedent. In the event that the partners, after exercising their best efforts, fail to execute the necessary Transaction Documents by December 27, 1993 (or a mutually agreed to extension), either partner will have the right to withdraw from the Partnership. In such an event, each partner will bear its own costs in connection with the Transactions. In addition, the partners' obligations are subject to the completion of Pepco Enterprises' due diligence to be completed by the December 27, 1993 deadline or any extension thereof.

18. The Transactions are subject to this Court's Order approving the Transactions, and will not take effect until such order becomes final. Moreover, the Transactions are subject to the receipt of all necessary regulatory approvals, including approval by the Federal Energy Regulatory

Commission (the "FERC") and the SEC. Approval of the transfer of Columbia LNG's jurisdictional assets to the Partnership is currently being sought from the FERC. Financing approvals under PUHCA are also currently being sought from the SEC.

19. On November 3, 1993, the Partnership filed an application (the "Partnership Application") with the FERC seeking authorization to, among other things, recommission the Terminal, construct the Liquefier, provide the Peaking Service, and provide firm and interruptible transportation services. If the FERC grants a certificate as requested in the Partnership Application, the

19

Partnership will automatically accept such certification without any additional vote from the partners. If, on the other hand, the FERC does not grant a certificate as specifically requested or if the certificate granted would not permit the partners to proceed with Construction Capital Closing, the Partnership's acceptance of the FERC certificate will be optional and either partner will have the right to withdraw from the Partnership.

RECAPITALIZATION OF COLUMBIA LNG

20. In order to effectuate the Transactions, a capital structure more appropriate for Columbia LNG's prospective business and investment in the Partnership needs to be established to more appropriately represent Columbia LNG's expectations for growth, profitability and capital requirements. Such recapitalization would only be put into place after Construction Capital Closing occurs.(3) CG submits that Columbia LNG's existing capital structure would become inappropriate after consummation of the Transactions. In addition, since the Partnership is not expected to become operational until September 1995, no Partnership distributions would be generated until that time to cover Columbia LNG's debt service to CG. Under these circumstances, there is no reason to continue to maintain debt service at the Columbia LNG level after the Construction Capital Closing.

- - - - -

3 CG proposes not to recapitalize Columbia LNG until after Construction Capital Closing in order to facilitate the recovery of its investment in Columbia LNG in the event that the Construction Capital Closing does not occur.

21. CG believes the most effective means to establish such a capital structure would be to increase Columbia LNG's common equity percentage to 100%. Such a recapitalization would be accomplished by having CG make a capital contribution to Columbia LNG's net common equity of up to \$52 million of installment promissory notes and short-term debt previously issued by Columbia LNG and held by CG.(4) Such amount would also include accrued interest to the effective date of the recapitalization. As a result, Columbia LNG's capital structure would be 100% equity. Columbia LNG will also amend its certificate of incorporation to revise the par value of its common stock to \$1.00 per share, and increase its authorized shares to 10,400,000. After the proposed recapitalization, Columbia LNG's obligation to contribute up to \$7 million to the Partnership will be funded through the issuance of new common equity to Columbia LNG's stockholders.(5)

DEVELOPMENT COSTS

22. It is proposed that Columbia LNG will fund certain project development costs on behalf of the Partnership and will be

4 The \$52 million is comprised of the remaining long-term debt used to originally construct the Facilities and, since January 1, 1990, the amount necessary to maintain the Facilities and to service Columbia LNG's debt to CG.

5 Shell LNG and CG will be offered the opportunity to acquire, at par and in proportion to their respective holdings in Columbia LNG, the \$7 million in new common equity. If Shell LNG elects to acquire such new equity in proportion to its current common stock holdings, it will maintain its 9.2% interest in Columbia LNG. Otherwise, CG will purchase all such new equity and its common stock holdings in Columbia LNG would increase to 97.1%.

10

21 reimbursed by the Partnership for all such costs incurred from October 28, 1993 through the Construction Capital Closing, up to a maximum of \$1 million.

EXCLUSIVITY

23. Columbia LNG and its affiliates have agreed not to (i) solicit, negotiate or accept any competing offer for investment (direct or indirect) in Columbia LNG or the Facilities, or (ii) complete the development

of the Terminal without the participation of Pepco Enterprises or an affiliate until December 27, 1993 (or such extension as may be mutually agreed to). In the event negotiations are terminated by Pepco Enterprises or by mutual agreement prior to December 27, 1993 or any extension, the exclusivity period will terminate.

IMPACT OF TRANSACTIONS ON TCO

24. The Partnership Application also seeks authorization from the FERC to abandon services provided by Columbia LNG to TCO. By a letter agreement dated October 29, 1993 (the "Letter Agreement"), subject to the satisfaction of certain conditions, Columbia LNG and TCO agreed to the termination of two agreements to which both are parties: a service agreement dated August 2, 1977 (the "TCO Service Agreement") pursuant to which Columbia LNG provides regasified LNG to TCO, and a letter agreement dated August 24, 1982 (the "TCO Exchange Agreement") for the exchange of natural gas under Columbia LNG's FERC Gas Tariff. In

11

22

the Letter Agreement, Columbia LNG and TCO agreed to terminate both the TCO Service Agreement and the TCO Exchange Agreement, and to abandon all FERC authorized service obligations with respect to the services provided under these agreements, provided: (i) the FERC authorizes the abandonment of service to TCO, (ii) the FERC authorizes the transfer of the Facilities to the Partnership and the Partnership's acquisition thereof as contemplated by the Transactions, (iii) the FERC grants the Partnership authorization to provide the Peaking Service and transportation service sought in the Partnership Application, (iv) Columbia LNG and the Partnership determine that the authorizations granted by the FERC are substantially in the form requested or otherwise acceptable to Columbia LNG and the Partnership, (v) Columbia LNG and the Partnership accept the FERC authorizations, and (vi) Columbia LNG and the Partnership receive any other FERC necessary approvals, including but not limited to authorization for Columbia LNG to abandon its rate schedules.

25. If all of these conditions occur, Columbia LNG will relinquish, upon the resumption of services at the Terminal and pursuant to the Letter Agreement, any claim that may arise in the future against TCO for the cost of abandoning or decommissioning the Facilities and the recovery of Columbia LNG's investment in the Facilities. These costs are estimated to be \$151 million. It is therefore submitted that termination of the TCO Service Agreement and the TCO Exchange Agreement would provide TCO and its customers with a substantial benefit. It is also

23

respectfully submitted that the consummation of the Transactions is in the best interests of TCO, its estate and its customers. A copy of the Letter Agreement between Columbia LNG and TCO is annexed hereto as Exhibit B.

MISCELLANEOUS

26. As previously noted, all of Columbia LNG's issued and outstanding common stock is held by CG (90.8%) and Shell LNG (9.2%). The only other persons or entities with any interest in Columbia LNG's capital stock are the Banks participating in the Secured Revolving Credit Agreement dated September 23, 1991, as amended (the "Credit Agreement"), approved pursuant to this Court's Final Order (dated September 10, 1991) Authorizing The Columbia Gas System, Inc. to (i) Borrow Monies (ii) Grant Senior and Junior Liens and Superpriority Administrative Expense Claims Pursuant to 11 U.S.C. Section 364(c). Waivers as to the transfer of the assets from Columbia LNG to the Partnership and to the recapitalization of Columbia LNG under relevant provisions of the Credit Agreement have been granted by the Banks.

27. The Transactions have been negotiated by CG, Columbia LNG and Pepco Enterprises at arms' length and in good faith.

28. CG respectfully submits that, for the reasons stated above, the Transactions will be beneficial to and in the best interests of its estate, and that the Transactions offer the most effective means to implement Columbia LNG's business plan, and

13

24

offer the best prospect for CG to realize its investment in Columbia LNG.

WHEREFORE, CG respectfully requests the Court to enter an order in the form annexed hereto (i) authorizing the Transactions, (ii) determining that the Transactions have been negotiated by CG, Columbia LNG and Pepco Enterprises in good faith, (iii) authorizing it to engage in the recapitalization described herein and to perform its obligations thereunder, and providing for such other and further relief as the Court may deem just and proper.

Dated: Wilmington, Delaware
December 16, 1993

YOUNG, CONAWAY, STARGATT & TAYLOR

/S/ ROBERT S. BRADY

James L. Patton, Jr.
Laura Davis Jones

Robert S. Brady
11th Floor - Rodney Square North
P.O. Box 391
Wilmington, Delaware 19899-0391
(302) 571-6684

STROOCK & STROOCK & LAVAN
Lewis Kruger
Robin E. Keller
Herbert Katz
Seven Hanover Square
New York, New York 10004
(212) 806-5400

CRAVATH, SWAINE & MOORE
Worldwide Plaza
825 Eighth Avenue
New York, New York 10019
(212) 474-1000

Co-Counsel for the Debtors and
Debtors-in-Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re) Chapter 11
)
THE COLUMBIA GAS SYSTEM, INC. and)
COLUMBIA GAS TRANSMISSION CORPORATION) Case Nos. 91-803
) 804
Debtors.)

AFFIDAVIT OF LOGAN W. WALLINGFORD

STATE OF DELAWARE)
) ss.:

Logan W. Wallingford, being duly sworn, deposes and says:

1. I am a Senior Vice President of the Columbia Gas System Service Corporation, a wholly-owned subsidiary of The Columbia Gas System, Inc. ("CG") a debtor and debtor in possession in these proceedings, and have oversight responsibility for certain subsidiaries of CG, including Columbia LNG Corporation ("Columbia LNG"). I make this affidavit in support of CG's motion (the "Motion") for an order (i) authorizing certain proposed transactions by and among Columbia LNG Corporation ("Columbia LNG") and Pepco Enterprises, Inc. ("Pepco Enterprises"), and (ii) authorizing the recapitalization of Columbia LNG.

2. I have read the foregoing Motion, have personal knowledge as to the facts stated therein and know them to be true

26
and correct. If called upon to testify as to such facts, I am qualified to competently so testify.

/S/ LOGAN W. WALLINGFORD

Logan W. Wallingford

SWORN TO AND SUBSCRIBED before me this 16th day of December, 1993.

/S/ ELLEN PATTERSON

Notary Public
My Commission Expires: 10/15/94

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

)
THE COLUMBIA GAS SYSTEM, INC. and)
COLUMBIA GAS TRANSMISSION CORPORATION) Case Nos. 91-803
) 804
)
Debtors.)

ORDER (I) AUTHORIZING TRANSACTIONS BY AND AMONG
COLUMBIA LNG CORPORATION, A SUBSIDIARY OF THE COLUMBIA
GAS SYSTEM, INC., AND PEPSCO ENTERPRISES, INC., AND (II)
AUTHORIZING THE RECAPITALIZATION OF COLUMBIA LNG CORPORATION

Upon the motion of The Columbia Gas System, Inc., debtor and debtor-in-possession ("CG") dated December 16, 1992, (the "Motion") for entry of an order (i) authorizing certain proposed transactions (the "Transactions") by and among Columbia LNG Corporation ("Columbia LNG") and Pepco Enterprises, Inc. ("Pepco Enterprises"), and (ii) authorizing the recapitalization of Columbia LNG as set forth in the Motion; a hearing on the Motion having been held on January 12, 1994; it appearing that the Transactions are in the best interest of CG's estate and its creditors; and after due deliberation and sufficient cause appearing therefor, it is hereby

ORDERED that authorization of the Transactions is in the best interests of CG's estate, and there are sound business justifications for approval thereof;

ORDERED that CG is authorized to take whatever steps are necessary to implement the Transactions;

28

ORDERED that the recapitalization of Columbia LNG as set forth in the Motion is hereby approved;

ORDERED that the granting of this Motion shall be without prejudice to Shell LNG asserting its rights as a shareholder of Columbia LNG with respect to the proposed transactions and recapitalization under applicable law in a court or commission of competent jurisdiction, and this Order shall not constitute res judicata or collateral estoppel as to any such rights and issues, including but not limited to the issue as to the adequacy of the price per share for the new stock which Columbia LNG proposes to authorize and distribute;

ORDERED that this Motion is granted without prejudice to any rights and obligations of any party in interest with respect to any service issues or rate issues subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") under the Natural Gas Act (the "NGA"), including any such issues raised by Washington Gas Light ("WGL") regarding transportation service under an existing contract;

ORDERED that this Motion does not seek Bankruptcy Court approval for the sale of the Cove Point Pipeline (as defined in the Motion); accordingly, WGL's proposal that such a sale be conducted pursuant to an open bidding procedure subject to this Court's supervision and approval is premature; if and when the Debtor seeks approval for such a sale, WGL may renew its proposal

prior to any approval being granted by this Court or FERC without prejudice to the rights of any party in interest under the Bankruptcy Code or the NGA. The foregoing shall not be construed to require the

2

29

Debtor to seek any approvals before this Court if not required by applicable law or by subsequent order of this Court.

Dated: Wilmington, Delaware
January 12, 1994

/S/ HELEN S. BALICK

The Honorable Helen S. Balick
United States Bankruptcy Judge

3

30

EXHIBIT H-3
PAGE 1 OF 2

COLUMBIA LNG CORPORATION
1995 Cash Forecast - Developmental Work Only
0 Month Actual & 12 Months Estimated

CONFIDENTIAL TREATMENT REQUESTED

31

EXHIBIT H-3

COLUMBIA LNG CORPORATION
1994 Cash Forecast - Developmental Work Only
0 Month Actual & 12 Months Estimated

CONFIDENTIAL TREATMENT REQUESTED

32

EXHIBIT H-4
PAGE 1 OF 6

Nominated Revenues

COLUMBIA LNG CORPORATION

Business Plan
Income Statement

CONFIDENTIAL TREATMENT REQUESTED

33

EXHIBIT H-4
PAGE 2 OF 6

Nominated Revenues

COLUMBIA LNG CORPORATION

Business Plan
Leveraged Cash Flow Statement

CONFIDENTIAL TREATMENT REQUESTED

34

EXHIBIT H-4
PAGE 3 OF 6

Two Tank Revenues

COLUMBIA LNG CORPORATION
Business Plan
Income Statement

CONFIDENTIAL TREATMENT REQUESTED

35

EXHIBIT H-4
PAGE 4 OF 6

Two Tank Revenues

COLUMBIA LNG CORPORATION
Business Plan
Leveraged Cash Flow Statement

CONFIDENTIAL TREATMENT REQUESTED

36

EXHIBIT H-4
PAGE 5 OF 6

Four Tank Revenues

COLUMBIA LNG CORPORATION
Business Plan
Income Statement

CONFIDENTIAL TREATMENT REQUESTED

37

EXHIBIT H-4
PAGE 6 OF 6

Four Tank Revenues

COLUMBIA LNG CORPORATION
Business Plan
Leveraged Cash Flow Statement

CONFIDENTIAL TREATMENT REQUESTED

38

EXHIBIT H-5
PAGE 1 OF 2

COVE POINT LNG COMPANY
1994 Cash Forecast

CONFIDENTIAL TREATMENT REQUESTED

39

EXHIBIT H-5
PAGE 2 OF 2

COVE POINT LNG COMPANY
1995 Cash Forecast

CONFIDENTIAL TREATMENT REQUESTED