

DOCKET NO.: A-110008  
RESPONDENT OR APPLICANT: CNG RETAIL SERVICES CORPORATION  
PARTY OR COMPLAINANT:

ENTRY	TYPE	DATE	BUREAU	PERSONNEL
1	N	03/14/97	SEC	TROUT
✓ APPLICATION OF CNG RETAIL SVCS CORP TO SUPPLY ELECTRICITY/ELEC GEN SVCS IN PA				
2	N	03/18/97	SEC	TROUT
✓ SEC MEMO TO FUS ASSIGNING APPLICATION				
3	N	03/18/97	SEC	TROUT
✓ SEC LETTER TO APPLICANT ACKNOWLEDGING RECEIPT OF APPLICATION				
4	N	04/07/97	SEC	ADAMS
✓ CONSOLIDATED NATURAL GAS CO FILED AMENDMENT TO APPLICATION				
5	N	04/10/97	SEC	ADAMS
✓ CONSOLIDATED NATURAL GAS COMPANY FILED PROOF OF PUBLICATION				
6	N	04/25/97	SEC	FRISCIA
✓ OPINION AND ORDER SERVED TO PARTIES				
7	N	04/24/97	SEC	KEPNER
✓ RECOM ADOPTED-CONSIDERATION PERIOD FOR LICENSE APPLICATION EXTENDED TO 5/23/97				
8	N	05/22/97	SEC	WALKER
✓ RECOM ADOPTED-INTERIM LICENSE APPROVED CONTINGENT SUBMISSION OF SECURITY BOND				
9	N	06/02/97	SEC	FRISCIA
✓ OPINION AND ORDER SERVED TO PARTIES				
10	N	08/18/97	SEC	TROUT
✓ LTR ADV D/B/A PEOPLES PLUS INSTEAD OF PEOPLES ENERGY FILED BY CNG RETAIL SVCS				
11	N	08/27/97	SEC	FRISCIA
✓ RECEIPT OF \$350.00 FILING FEE ISSUED				
12	N	06/27/97	SEC	TROUT
✓ APPLICANT FILED ORIGINAL SURETY BOND W/APPENDIX LANGUAGE				
13	N	09/18/97	SEC	BREWSTER
✓ INTERIM LICENSE DATED 6/27/97 ISSUED				
14	N	10/09/97	SEC	ADAMS
✓ CNG RETAIL SVC FILED UPDATED ADDRESS & TELEPHONE NUMBER				
15	N	11/11/97	SEC	BREWSTER
✓ PECO FILED ELECTRIC GENERATION SUPPLIER AGREEMENT FORM				
16	N	01/09/98	SEC	HANCOCK
✓ MET-ED FILED ELECTRIC GENERATION SUPPLIER AGREEMENT FORM WITH APPLICANT				
17	N	01/09/98	SEC	HANCOCK
✓ PENELEC FILED ELECTRIC GENERATION SUPPLIER AGREEMENT FORM WITH APPLICANT				
18	N	03/02/98	SEC	MOTTER
CNG RETAIL SVCS FLD CONTINUATION CERTIFICATE EVIDENCING BOND RENEWED TO 4/1/99				
19	N	09/03/98	SEC	FRISCIA
✓ SEC LTR TO PEOPLES PLUS-RESPOND W/CORRECT REVENUES IN 10 DAYS				

MICROFILMED

CAPTION SHEET

USE MANAGEMENT SYSTEM

- 1. REPORT DATE: 00/00/00 :
- 2. BUREAU: FUS :
- 3. SECTION(S) : 4. PUBLIC MEETING DATE:
- 5. APPROVED BY: : 00/00/00
- DIRECTOR: :
- SUPERVISOR: :
- 6. PERSON IN CHARGE: : 7. DATE FILED: 03/14/97
- 8. DOCKET NO: A-110008 : 9. EFFECTIVE DATE: 00/00/00

PARTY/COMPLAINANT:

RESPONDENT/APPLICANT: CNG RETAIL SERVICES CORPORATION

COMP/APP COUNTY:

UTILITY CODE: 110008

ALLEGATION OR SUBJECT

APPLICATION OF CNG RETAIL SERVICES CORPORATION D/B/A PEOPLES ENERGY, FOR APPROVAL TO OFFER, RENDER, FURNISH OR SUPPLY ELECTRICITY OR ELECTRIC GENERATION SERVICES AS A BROKER/MARKETER AND/OR AGGREGATOR IN THE BUSINESS OF SUPPLYING ELECTRICITY TO THE PUBLIC IN THE COMMONWEALTH OF PENNSYLVANIA.

DOCUMENT  
FOLDER

**DOCKETED**  
MAR 19 1997

**MICROFILMED**

CNG Tower  
625 Liberty Avenue  
Pittsburgh, PA 15222-3199  
(412) 227-1000

A-110008

March 13, 1997

AIRBORNE EXPRESS

Robert Frazier, Esq.  
Prothonotary  
Pennsylvania Public Utility Commission  
Commonwealth and North Avenues  
B-20, North Office Building  
Harrisburg, PA 17120

RECEIVED

MAR 14 1997

PA PUBLIC UTILITY COMMISSION  
PROTHONOTARY'S OFFICE

Re: Application of CNG Retail Services Corporation, d/b/a Peoples Energy, for approval to offer, render, furnish, or supply electricity or electric generation services as a Broker/Marketer and/or Aggregator in the business of supplying electricity to the public in the Commonwealth of Pennsylvania

Dear Mr. Frazier:

Enclosed for filing with the Commission are an original and nine (9) copies of CNG Retail Services Corporation's Application in the above-referenced matter. Please date-stamp and return to me the enclosed extra copy of the Application in the enclosed self-addressed, stamped envelope. Also, enclosed please find the required filing fee of \$350.

Very truly yours,

*Glen R. Waisner*

Glen R. Waisner  
Vice President, Mass Marketing

Enclosures

DOCUMENT  
FOLDER

MICROFILMED

# ORIGINAL

## BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of **CNG Retail Services Corporation**,  
d/b/a **Peoples Energy**, for approval  
to offer, render, furnish, or supply electricity or electric  
generation services as a Broker/Marketer  
and/or Aggregator in the business of  
supplying electricity to the public  
in the Commonwealth of Pennsylvania.

Application Docket No.

A-110008

F \_\_\_\_\_

19 \_\_\_\_\_

To the Pennsylvania Public Utility Commission:

1. **IDENTITY OF THE APPLICANT:** The name, address, telephone number, and FAX number of the Applicant are:

CNG Retail Services Corporation  
CNG Tower  
625 Liberty Avenue  
Pittsburgh, PA 15222  
TELEPHONE: (412) 497-5622  
FAX: (412) 227-1499

RECEIVED

MAR 14 1997

PA PUBLIC UTILITY COMMISSION  
PROTHONOTARY'S OFFICE

Please identify any predecessor(s) of the Applicant and provide other names under which the Applicant has operated within the preceding five (5) years, including name, address, and telephone number.

None.

2. a. **CONTACT PERSON:** The name, title, address, telephone number, and FAX number of the person to whom questions about this Application should be addressed are:

Glen R. Waisner  
Vice President, Mass Marketing  
CNG Retail Services Corporation  
CNG Tower  
625 Liberty Avenue  
Pittsburgh, PA 15222  
TELEPHONE: (412) 497-5622  
FAX: (412) 227-1499

DOCKETED

MAR 19 1997

- b. **CONTACT PERSON-PENNSYLVANIA EMERGENCY MANAGEMENT AGENCY:** The name, title, address, telephone number and FAX number of the person with whom contact should be made by PEMA:

Glen R. Waisner  
Vice President, Mass Marketing  
CNG Retail Services Corporation  
CNG Tower  
625 Liberty Avenue  
Pittsburgh, PA 15222  
TELEPHONE: (412) 497-5622  
FAX: (412) 227-1499

DOCUMENT  
FOLDER

3.a. **ATTORNEY:** If applicable, the name, address, telephone number, and FAX number of the Applicant's attorney are:

James M. Hostetler  
Attorney  
CNG Retail Services Corporation  
CNG Tower  
625 Liberty Avenue  
Pittsburgh, PA 15222  
TELEPHONE: (412) 227-1155  
FAX: (412) 456-7633

b. **REGISTERED AGENT:** If the Applicant does not maintain a principal office in the Commonwealth, the required name, address, telephone number and FAX number of the Applicant's Registered Agent in the Commonwealth are:

Not Applicable.

4. **FICTITIOUS NAME:** (select and complete appropriate statement)

The Applicant will be using a fictitious name or doing business as ("d/b/a"):

*Peoples Energy*

Attach to the Application a copy of the Applicant's filing with the Commonwealth's Department of State pursuant to 54 Pa. C.S. §311, Form PA-953.

Refer to Exhibit A.

or

The Applicant will not be using a fictitious name.

5. **BUSINESS ENTITY AND DEPARTMENT OF STATE FILINGS:** (select and complete appropriate statement)

The Applicant is a sole proprietor.

If the Applicant is located outside the Commonwealth, provide proof of compliance with 15 Pa. C.S. §4124 relating to Department of State filing requirements.

or

Filed in the Department of  
State on FEB 10 1997*Walter Handberg*  
Secretary of the Commonwealth  
*JK*

2738310

TO THE DEPARTMENT OF STATE OF THE COMMONWEALTH OF PENNSYLVANIA:

**APPLICATION FOR REGISTRATION OF FICTITIOUS NAME**

In compliance with the requirements of 54 Pa. C.S.A. § 311 (relating to registration), the undersigned entity desiring to register a fictitious name under 54 Pa. C.S.A. Ch. 3, hereby states that:

1. The fictitious name is Peoples Energy.
2. Peoples Energy shall be a retail seller of natural gas and electricity to consumers.
3. The address of the principal place of business of the business or other activity to be carried on under or through the fictitious name is:

CNG Tower  
625 Liberty Avenue  
Pittsburgh, Pennsylvania 15222

4. The entity interested in such business is:

Name: CNG Retail Services Corporation

Form of Organization: Corporation

Organizing Jurisdiction: Delaware

Principal Office Address: CNG Tower  
625 Liberty Avenue  
Pittsburgh, Pennsylvania 15222

5. The applicant is familiar with the provisions of 54 Pa. C.S. § 332 (relating to the effect of registration) and understands that filing under the Fictitious Names Act does not create any exclusive or other right in the fictitious name.

IN TESTIMONY WHEREOF, the undersigned have caused this application to be executed this 10<sup>th</sup> day of February 1997.

CNG Retail Services Corporation

By Stephen Williams

Title Director

The Applicant is a:

- domestic general partnership (\*)
- domestic limited partnership (15 Pa. C.S. §8511)
- foreign general or limited partnership (15 Pa. C.S. §4124)
- domestic limited liability partnership (15 Pa. C.S. §8201)
- foreign limited liability general partnership (15 Pa. C.S. §8211)
- foreign limited liability limited partnership (15 Pa. C.S. §8211)

Provide proof of compliance with appropriate Department of State filing requirements as indicated above.

Give name, d/b/a, and address of partners. If any partner is not an individual, identify the business nature of the partner entity and identify its partners or officers.

\* If a corporate partner in the Applicant's domestic partnership is not domiciled in Pennsylvania, attach a copy of the Applicant's Department of State filing pursuant to 15 Pa. C.S. §4124.

or

The Applicant is a:

- domestic corporation (none)
- foreign corporation (15 Pa. C.S. §4124)
- domestic limited liability company (15 Pa. C.S. §8913)
- foreign limited liability company (15 Pa. C.S. §8981)
- Other \_\_\_\_\_

Provide proof of compliance with appropriate Department of State filing requirements as indicated above. Additionally, provide a copy of the Applicant's Articles of Incorporation.

Refer to Exhibit B.

Give name and address of officers.

President:	S. E. Williams	<u>Address:</u>	CNG Tower
Vice President:	G. R. Waisner		625 Liberty Avenue
Treasurer:	R. M. Sable		Pittsburgh, PA 15222
Assistant Treasurer:	M. M. Whitlinger		
Secretary:	L. J. McKeown		
Assistant Secretary:	J. M. Hostetler		

The Applicant is incorporated in the state of Delaware.

State of Delaware

Office of the Secretary of State

---

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "CNG RETAIL SERVICES CORPORATION", FILED IN THIS OFFICE ON THE THIRTIETH DAY OF JANUARY, A.D. 1997, AT 9 O'CLOCK A.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.



*Edward J. Freel*

Edward J. Freel, Secretary of State

-6

2712639 8100

971032054

AUTHENTICATION:

8309813

DATE:

01-30-97

CERTIFICATE OF INCORPORATION  
OF  
CNG RETAIL SERVICES CORPORATION

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FIRST. The name of this corporation shall be:

CNG RETAIL SERVICES CORPORATION

SECOND. Its registered office in the State of Delaware is to be located at 1013 Centre Road, in the City of Wilmington, County of New Castle and its registered agent at such address is CORPORATION SERVICE COMPANY.

THIRD. The purpose or purposes of the corporation shall be:

To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH. The total number of shares of stock which this corporation is authorized to issue is:

Five Thousand (5,000) shares with a par value of Ten Thousand Dollars (\$10,000.00) per share, amounting to Fifty Million Dollars (\$50,000,000.00).

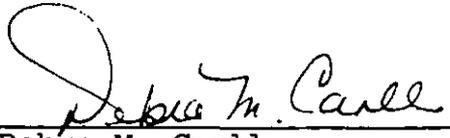
FIFTH. The name and address of the incorporator is as follows:

Debra M. Carll  
Corporation Service Company  
1013 Centre Road  
Wilmington, DE 19805

SIXTH. The Board of Directors shall have the power to adopt, amend or repeal the by-laws.

SEVENTH. No director shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty by such director as a director. Notwithstanding the foregoing sentence, a director shall be liable to the extent provided by applicable law, (i) for breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this Article Seventh shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment.

IN WITNESS WHEREOF, the undersigned, being the incorporator hereinbefore named, has executed, signed and acknowledged this certificate of incorporation this Twenty-ninth day of January, A.D., 1997.

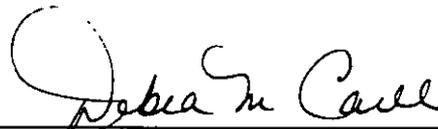
  
\_\_\_\_\_  
Debra M. Carll  
Incorporator

ACTION OF SOLE INCORPORATOR  
CNG RETAIL SERVICES CORPORATION

---

The undersigned, without a meeting, being the sole incorporator of the Corporation, does hereby elect the persons listed below to serve as directors of the corporation until the first annual meeting of shareholders and until their successors are elected and qualify:

R.W. BEST  
D.M. WESTFALL  
S.E. WILLIAMS



---

Debra M. Carll  
Incorporator

Dated: January 29, 1997

Microfilm Number \_\_\_\_\_

Filed with the Department of State on \_\_\_\_\_

Entity Number \_\_\_\_\_

\_\_\_\_\_  
Secretary of the Commonwealth**APPLICATION FOR CERTIFICATE OF AUTHORITY**

DSCB:15-4124/6124 (Rev 90)

Indicate type of corporation (check one):

 Foreign Business Corporation (15 Pa.C.S. § 4124) Foreign Nonprofit Corporation (15 Pa.C.S. § 6124)

In compliance with the requirements of the applicable provisions of 15 Pa.C.S. (relating to corporations and unincorporated associations) the undersigned association hereby states that:

1. The name of the corporation is: CNG Retail Services Corporation

2. The name which the corporation adopts for use in this Commonwealth is (complete only when the corporation must adopt a corporate designator for use in Pennsylvania):

3. (If the name set forth in Paragraph 1 or 2 is not available for use in this Commonwealth, complete the following):

The fictitious name which the corporation adopts for use in transacting business in this Commonwealth is:

This corporation shall do business in Pennsylvania only under such fictitious name pursuant to the attached resolution of the board of directors under the applicable provisions of 15 Pa.C.S. (relating to corporations and unincorporated associations) and the attached form DSCB:54-311 (Application for Registration of Fictitious Name).

4. The name of the jurisdiction under the laws of which the corporation is incorporated is:

Delaware

5. The address of its principal office under the laws of the jurisdiction in which it is incorporated is:

1013 Centre Road, Wilmington, DE 19805

New Castle

Number and Street

City

State

Zip

County

6. The (a) address of this corporation's proposed registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is:

(a) \_\_\_\_\_  
Number and Street City State Zip County

(b) c/o: \_\_\_\_\_  
Name of Commercial Registered Office Provider County

For a corporation represented by a commercial registered office provider, the county in (b) shall be deemed the county in which the corporation is located for venue and official publication purposes.

7. (Check one of the following):

(Business corporation): The corporation is a corporation incorporated for a purpose or purposes involving pecuniary profit, incidental or otherwise.

(Nonprofit corporation): The corporation is a corporation incorporated for a purpose or purposes not involving pecuniary profit, incidental or otherwise.

IN TESTIMONY WHEREOF, the undersigned corporation has caused this Application for a Certificate of Authority to be signed by a duly authorized officer this 3rd day of March, 19 97.

CNG Retail Services Corporation  
(Name of Corporation)

BY: James M. Hostetter, Jr.  
(Signature)

TITLE: Assistant Secretary

**DOCKETING STATEMENT DSCB:15-7 (Rev 95)**  
**DEPARTMENTS OF STATE AND REVENUE**

**BUREAU USE ONLY:**

Dept. of State Entity Number \_\_\_\_\_

Revenue Box Number \_\_\_\_\_

Filing Period \_\_\_\_\_ Date 3 4 5 \_\_\_\_\_

SIC \_\_\_\_\_ Report Code \_\_\_\_\_

FILING FEE: NONE

This form (*file in triplicate*) and all accompanying documents shall be mailed to:

**COMMONWEALTH OF PENNSYLVANIA**  
**DEPARTMENT OF STATE CORPORATION BUREAU**

**Check proper box:**

- |  |  |  |   |
|--|--|--|---|
| <input type="checkbox"/> Pa. Business-stock                              | <input type="checkbox"/> Pa. Business-nonstock                                     | <input type="checkbox"/> Pa. Business-Management | <input type="checkbox"/> Pa. Professional       |
| <input type="checkbox"/> Pa. Business-statutory close                    | <input type="checkbox"/> Pa. Business-cooperative                                  | <input type="checkbox"/> Pa. Nonprofit-stock     | <input type="checkbox"/> Pa. Nonprofit-nonstock |
| <input checked="" type="checkbox"/> Foreign-business                     | <input type="checkbox"/> Foreign-nonprofit   | <input type="checkbox"/> Motor Vehicle for Hire  | <input type="checkbox"/> Insurance              |
| <input type="checkbox"/> Foreign-Certificate of Authority to D/B/A _____ |  |  |   |
| <input type="checkbox"/> Business Trust                                  |  |  |   |
| <input type="checkbox"/> Pa. Limited Liability Company                   | <input type="checkbox"/> Pa. Restricted Professional Limited Liability Company     |  |   |
| <input type="checkbox"/> Foreign Limited Liability Company               | <input type="checkbox"/> Foreign Restricted Professional Limited Liability Company |  |   |

**Association registering as a result of (check box):**

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Incorporation (Pa.)                    | <input type="checkbox"/> Domestication | <input type="checkbox"/> Consolidation     |
| <input type="checkbox"/> Authorization of a foreign association | <input type="checkbox"/> Division      | <input type="checkbox"/> Summary of Record |
| <input type="checkbox"/> Organization (Pa.)                     |  |  |

1. Name of association: N/A

2. Location of (a) initial registered office in Pennsylvania or (b) the name and county of the commercial registered office provider:

(a) \_\_\_\_\_  
 Number and Street/RD number and Box                      City                      State                      Zip code                      County

(b) c/o: \_\_\_\_\_  
 Name of commercial registered office provider                      County

3. State or Country of Incorporation/Organization Delaware

4. Specified effective date, if applicable: January 30, 1997

5. Federal Identification Number: Applied for.

6. Describe principal Pennsylvania activity to be engaged in, within one year of this application date: retail sales of energy and related products and services.

7. Names, residences and social security numbers of the chief executive officer, secretary and treasurer or individual responsible for maintaining financial records:

Name	Address	Title	Social Security#
Stephen E. Williams	625 Liberty Ave Pittsburgh, PA 15222-3199	President	
Robert M. Sable	625 Liberty Ave Pittsburgh, PA 15222-3199	Treasurer	
Laura J. McKeown	625 Liberty Ave Pittsburgh, PA 15222-3199	Secretary	

If professional association, include officer's professional license numbers with the respective Pennsylvania Professional Board.

8. Location of principal place of business:

CNG Tower, 625 Liberty Ave	Pittsburgh	PA	15222-3199
Number and Street/RD number and Box	City	State	Zip Code

9. Mailing address if different than #8 (Location where correspondence, tax report form, etc. are to be sent):

Number and Street/RD number and Box	City	State	Zip Code
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10. Act of General Assembly or authority under which you are organized or incorporated (Full citation of statute or other authority; attach a separate sheet if more space is required): Delaware Code, Chapter I, Title 8

11. Date and state of incorporation or organization (foreign corporation only): \_\_\_\_\_

12. Date business started in Pennsylvania (foreign association only): \_\_\_\_\_

13. Is the association authorized to issue capital stock?  YES  NO

14. Corporation's fiscal year ends: December

This statement shall be deemed to have been executed by the individual who executed the accompanying submittal. See 18 Pa.C.S. §4904 (relating to unsworn falsification to authorities).

**Instructions for Completion of Form:**

- A. A separate completed set of copies of this form shall be submitted for each entity or registration resulting from the transaction.
- B. The Bureau of Corporation Taxes in the Pennsylvania Department of Revenue should be notified of any address changes. Notification should be sent to the Processing Division, Bureau of Corporation Taxes, Pa. Department of Revenue, Dept. 280705, Harrisburg, PA 17128-0705.
- C. All Pennsylvania corporate tax reports, except those for motor vehicle for hire, must be filed with the Commonwealth on the same fiscal basis as filed with the U.S. government. Motor vehicle for hire, i.e., gross receipts tax reports, must be filed on a calendar year basis only.
- D. The disclosure of the social security numbers of the corporate officers in Paragraph 7 is voluntary. The numbers are used to assure the proper identification of corporation officers by the Department of Revenue in accordance with the Fiscal Code.

6. **AFFILIATES AND PREDECESSORS WITHIN PENNSYLVANIA:** (select and complete appropriate statement)

Affiliate(s) of the Applicant doing business in Pennsylvania are:

Consolidated Natural Gas Company	CNG Energy Services Corporation
Consolidated Natural Gas Service Company	The Peoples Natural Gas Company
CNG Producing Company	CNG Power Company
CNG Transmission Company	CNG Power Services Corporation
CNG Coal Company	CNG Products and Services, Inc.
CNG Financial Services, Inc.	CNG Research Company
Consolidated System LNG Company	CNG Storage Service Company

Give name and address of the affiliate(s) and state whether the affiliate(s) are jurisdictional public utilities.

Refer to Exhibit C.

If the Applicant or an affiliate has a predecessor who has done business within Pennsylvania, give name and address of the predecessor(s) and state whether the predecessor(s) were jurisdictional public utilities.

or

The Applicant has no affiliates doing business in Pennsylvania or predecessors which have done business in Pennsylvania.

7. **APPLICANT'S PRESENT OPERATIONS:** (select and complete the appropriate statement)

- The Applicant is presently doing business in Pennsylvania as a
- vertically-integrated provider of generation, transmission, and distribution services.
- municipal electric corporation providing service outside its municipal limits.
- electric cooperative
- local gas distribution company
- nonintegrated provider of electric generation, transmission or distribution services.
- Other. (Identify the nature of service being rendered.)

or

The Applicant is not presently doing business in Pennsylvania.

**Names and Addresses of Principal Affiliates Conducting Business in Pennsylvania:**

Consolidated Natural Gas Company  
CNG Tower  
625 Liberty Avenue  
Pittsburgh, PA 15222

Consolidated Natural Gas Service Company  
CNG Tower  
625 Liberty Avenue  
Pittsburgh, PA 15222

CNG Producing Company  
CNG Tower  
1450 Poydras Street  
New Orleans, LA 70112-6000

CNG Transmission Corporation  
445 West Main Street  
Clarksburg, WV 26301

CNG Coal Company  
CNG Tower  
1450 Poydras Street  
New Orleans, LA 70112

CNG Financial Services, Inc.  
CNG Tower  
625 Liberty Avenue  
Pittsburgh, PA 15222

Consolidated System LNG Company  
CNG Tower  
625 Liberty Avenue  
Pittsburgh, PA 15222

CNG Energy Services Corporation  
One Park Ridge Center  
P.O. Box 15746  
Pittsburgh, PA 15244-0746

The Peoples Natural Gas Company (Jurisdictional Public Utility)  
625 Liberty Avenue  
Pittsburgh, PA 15222-3197

CNG Power Company  
One Park Ridge Center  
P.O. Box 15246  
Pittsburgh, PA 15244-0746

CNG Power Services, Inc.  
One Park Ridge Center  
P.O. Box 15746  
Pittsburgh, PA 15244-0746

CNG Products and Services, Inc.  
CNG Tower  
625 Liberty Avenue  
Pittsburgh, PA 15222

CNG Research Company  
CNG Tower  
625 Liberty Avenue  
Pittsburgh, PA 15222

CNG Storage Service Company  
One Park Ridge Center  
P.O. Box 15746  
Pittsburgh, PA 15244-0746

8. **APPLICANT'S PROPOSED OPERATIONS:** The Applicant proposes to operate as a:

- Generator and supplier of electric power.
- Municipal generator and supplier of electric power.
- Electric Cooperative and supplier of electric power
- Broker/Marketer engaged in the business of supplying electricity.
- Aggregator engaged in the business of supplying electricity

9. **PROPOSED SERVICES:** Generally describe the electric services or the electric generation services which the Applicant proposes to offer.

Under this interim license, CNG Retail Services Corporation proposes to sell, offer, render, furnish, and supply electricity and electric generation supply and other energy-related products and services to customers in the Commonwealth of Pennsylvania.

10. **SERVICE AREA:** Generally describe the geographic area in which Applicant proposes to offer services.

CNG Retail Services Corporation proposes to offer services throughout the entire Commonwealth of Pennsylvania.

11. **CUSTOMERS:** Applicant proposes to initially provide services to:

- Residential Customers
- Commercial Customers
- Industrial Customers
- Governmental Customers
- All of above
- Other (Describe):

12. **FERC FILING:** Applicant has:

- Filed an Application with the Federal Energy Regulatory Commission to be a Power Marketer.
- Received approval from FERC to be a Power Marketer at Docket or Case Number \_\_\_\_\_

13. **START DATE:** The Applicant proposes to begin delivering services on April 1, 1997 or later. (approximate date).

14. **FURTHER DEVELOPMENTS:** Applicant is under a continuing obligation to amend its application if substantial changes occur in the information upon which the Commission relied in approving the original filing.
15. **NOTICE:** Pursuant to Section 5.14 of the Commission's Regulations, 52 Pa. Code §5.14, serve a copy of the signed and verified Application with attachments on the following:

Irwin A. Popowsky  
Consumer Advocate  
1425 Strawberry Square  
Harrisburg, PA 17120

Bernard A. Ryan, Jr.  
Commerce Building, Suite 1102  
Small Business Advocate  
300 North Second Street  
Harrisburg, PA 17101

Office of the Attorney General  
Bureau of Consumer Protection  
Strawberry Square, 14th Floor  
Harrisburg, PA 17120

Pursuant to Sections 1.57 and 1.58 of the Commission's Regulations, 52 Pa. Code §§1.57 and 1.58, attach Proof of Service of the Application and attachments upon the above named parties. Upon review of the Application, further notice may be required pursuant to Section 5.14 of the Commission's Regulations, 52 Pa. Code §5.14.

16. **AFFIDAVIT AS TO SERVICE AND FITNESS:** Attach to the Application an affidavit as follows:

**AFFIDAVIT**

Commonwealth of Pennsylvania :  
: ss.  
County of Allegheny :

Glen R. Waisner, Affiant, being duly [sworn/affirmed] according to law, deposes and says that:

He is the Vice President of CNG Retail Services Corporation;

That he is authorized to and does make this affidavit for said Applicant;

That CNG Retail Services Corporation, the Applicant herein, acknowledges that CNG Retail Services Corporation may have obligations pursuant to this Application consistent with the Public Utility Code of the Commonwealth of Pennsylvania, Title 66 of the Pennsylvania Consolidated Statutes; or with other applicable statutes or regulations including Emergency Orders which may be issued verbally or in writing during any emergency situations that may unexpectedly develop from time to time in the course of doing business in Pennsylvania.

That CNG Retail Services Corporation, the Applicant herein, asserts that it possesses the requisite technical, managerial, and financial fitness to render electric service within the Commonwealth of Pennsylvania and that the Applicant will abide by all applicable federal and state laws and regulations and by the decisions of the Pennsylvania Public Utility Commission.

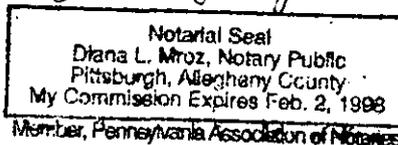
That the facts above set forth are true and correct to the best of his knowledge, information, and belief and that he expects said Applicant to be able to prove the same at any hearing hereof.

Glen R. Waisner  
Signature of Affiant

Sworn and subscribed before me this 13<sup>th</sup> day of March, 1997.

Diana L. Mroz  
Signature of official administering oath

My commission expires Feb. 2, 1998.



17. **TAXATION:** Provide the State Tax Account number or similar number of the Applicant . \_\_\_\_\_  
Applied for.

In certification that the supplier will pay in full all taxes due from the supplier as required by 66 Pa. C.S. Section 2809 (C)(1)(II)(IV), the Applicant will attach to the Application and affidavit as follows:

**AFFIDAVIT**

Commonwealth of Pennsylvania :  
:  
: ss.  
:  
County of Allegheny :

Glen R. Waisner, Affiant, being duly [sworn/affirmed] according to law, deposes and says that:

That he is the Vice President of CNG Retail Services Corporation;

That he is authorized to and does make this affidavit for said Applicant;

That CNG Retail Services Corporation, the Applicant herein, certifies to the Commission that it is subject to and will pay the full amount of taxes imposed by Articles II and XI of the Act of March 4, 1971 (P.L. 6, No. 2), known as the Tax Reform Act of 1971 and any tax imposed by Chapter 28 of Title 66. The Applicant acknowledges that failure to pay such taxes or otherwise comply with the taxation requirements of Chapter 28, shall be cause for the Commission to revoke the license of the Applicant. The Applicant acknowledges that it shall provide to the Commission its jurisdictional Gross Receipts and power sales for ultimate consumption, for the previous year or as otherwise required by the Commission and is subject to Title 66, Section 506.

As provided by Section 2810 (C)(6)(IV), Applicant, by filing of this application waives confidentiality with respect to its state tax information in the possession of the Department of Revenue, regardless of the source of the information, and shall consent to the Department of Revenue providing that information to the Pennsylvania Public Utility Commission.

That the facts above set forth are true and correct to the best of his knowledge, information, and belief and that he expects said Applicant to be able to prove the same at any hearing hereof.

Glen R. Waisner  
Signature of Affiant

Sworn and subscribed before me this 13<sup>th</sup> day of March, 1997.

Diana L. Mroz  
Signature of official administering oath

My commission expires Feb 2, 1998.

Notarial Seal  
Diana L. Mroz, Notary Public  
Pittsburgh, Allegheny County  
My Commission Expires Feb. 2, 1998  
Member, Pennsylvania Association of Notaries

18. **COMPLIANCE:** State specifically whether the Applicant, an affiliate, a predecessor of either, or a person identified in this Application has been convicted of a crime involving fraud or similar activity. Identify all proceedings, by name, subject and citation, dealing with business operations, in the last five (5) years, whether before an administrative body or in a judicial forum, in which the Applicant, an affiliate, a predecessor of either, or a person identified herein has been a defendant or a respondent. Provide a statement as to the resolution or present status of any such proceedings.

Neither the Applicant, its affiliates nor any individuals named on this application have ever been convicted of a crime involving fraud or similar activity.

19. **STANDARDS, BILLING PRACTICES, TERMS AND CONDITIONS OF PROVIDING SERVICE AND CONSUMER EDUCATION:** Electricity should be priced in clearly stated terms to the extent possible. Common definitions should be used. All consumer contracts or sales agreements should be written in plain language with any exclusions, exceptions, add-ons, package offers, limited time offers or other deadlines prominently communicated. Penalties and procedures for ending contracts should be clearly communicated.

- a. **Contacts for Consumer Service and Complaints:** Provide the name, title, address, telephone number and FAX number of the person and an alternate person responsible for addressing customer complaints. These persons will ordinarily be the initial point(s) of contact for resolving complaints filed with Applicant, the Electric Distribution Company, the Pennsylvania Public Utility Commission or other agencies.

Jim Hostetler  
Attorney  
CNG Retail Services Corporation  
625 Liberty Avenue  
Pittsburgh, PA 15222  
TELEPHONE: (412) 227-1155  
FAX: (412) 456-7633

Glen R. Waisner  
Vice President, Mass Marketing  
CNG Retail Services Corporation  
625 Liberty Avenue  
Pittsburgh, PA 15222  
TELEPHONE: (412) 497-5622  
FAX: (412) 227-1499

- b. Provide a copy of all standard forms or contracts that you use, or propose to use, for service provided to residential customers.

CNG Retail Services is a newly formed business entity, and as such, standard forms and contracts have not yet been developed; said documents will be forwarded immediately upon development.

- c. Attach to the Application an Affidavit as follows:

AFFIDAVIT

Commonwealth of Pennsylvania :  
: ss.  
County of Allegheny :

Glen R. Waisner, Affiant, being duly [sworn/affirmed] according to law, deposes and says that:

He is the Vice President of CNG Retail Services Corporation;

That he is authorized to and does make this affidavit for said Applicant;

That CNG Retail Services Corporation, the Applicant herein, acknowledges that it has a statutory obligation to conform with 66 PA. C.S. Section 506, 2807 (C), 2807(D)(2), 2809(B) and the standards and billing practices of 52 PA. Code Chapter 56.

That the Applicant agrees to provide all consumer education materials and information in a timely manner as requested by the Bureau of Public Liaison or other Commission bureaus. Materials and information requested may be analyzed by the Commission or designee to meet obligations under applicable sections of the law.

That the facts above set forth are true and correct to the best of his knowledge, information, and belief and that he expects said Applicant to be able to prove the same at any hearing hereof.

Glen R. Waisner  
Signature of Affiant

Sworn and subscribed before me this 13<sup>th</sup> day of March, 1997.

Diana L. Mroz  
Signature of official administering oath

Notarial Seal  
Diana L. Mroz, Notary Public  
Pittsburgh, Allegheny County  
My Commission Expires Feb. 2, 1998

My commission expires Feb. 2, 1998

20. **BONDING:** In accordance with 66 PA. C.S. Section 2809(C) (1)(I), the Applicant is:

Furnishing a copy of initial bond, letter of credit or proof of bonding to the Commission in the amount of \$250,000.

Refer to Exhibit D.

Furnishing proof of other initial security for Commission approval, to ensure financial responsibility.

Filing for a modification to the \$250,000 and furnishing a copy of an initial bond, letter of credit or proof of bonding to the Commission for the amount of \$\_\_\_\_\_. Applicant is required to provide information supporting an amount less than \$250,000.

At the conclusion of Applicant's first year of operation or when a permanent license is issued, whichever comes first, it is the intention of the Commission to tie security bonds to a percentage of Applicant's gross receipts resulting from the sale of generated electricity consumed in Pennsylvania. The amount of the security bond will be reviewed and adjusted on an semi-annual basis.

21. **FALSIFICATION:** The Applicant understands that the making of false statements) herein may be grounds for denying the Application or, if later discovered, for revoking any authority granted pursuant to the Application. This Application is subject to 18 Pa. C.S. §§4903 and 4904, relating to perjury and falsification in official matters.

22. **TRANSFER OF LICENSE:** The Applicant understands that if it plans to transfer its license to another entity, it is required to request authority from the Commission for permission prior to transferring the license. See 66 Pa. C.S. Section 2809(D). Transferee will be required to file the appropriate licensing application.

23. **ASSESSMENT:** The Applicant acknowledges that Title 66, Chapter 5, Section 510 grants to the Commission the right to make assessments to recover regulatory expenses and that as a supplier of electricity or an electric generation supplier it will be assessed under that section of the Pennsylvania Code. The Applicant also acknowledges that the continuation of its license as a supplier of electricity or an electric generation supplier will be dependent upon the payment of all prior years assessments.

24. **FINANCIAL FITNESS:**

A. Applicant shall provide sufficient information to demonstrate financial fitness commensurate with the service proposed to be provided. Examples of such information which may be submitted include the following:

Actual (or proposed) organizational structure including parent, affiliated or subsidiary companies.

Published parent company financial and credit information.

Applicant's balance sheet and income statement for the most recent fiscal year. Published financial information such as 10K's and 10Q's may be provided, if available.

Evidence of Applicant's credit rating. Applicant may provide a copy of its Dun and Bradstreet Credit Report and Robert Morris and Associates financial form or other independent financial service reports.



**POWER OF ATTORNEY APPOINTING INDIVIDUAL ATTORNEY-IN-FACT**

Know All Men By These Presents, That CONTINENTAL CASUALTY COMPANY, an Illinois corporation, NATIONAL FIRE INSURANCE COMPANY OF HARTFORD, a Connecticut corporation, AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA, a Pennsylvania corporation (herein collectively called "the CNA Surety Companies"), are duly organized and existing corporations having their principal offices in the City of Chicago, and State of Illinois, and that they do by virtue of the signature and seals herein affixed hereby make, constitute and appoint Nancy M. Kunold, Karen L. Jensen, Robert C. Burnham, K. Bruce Byers, H. Christopher Pavone, individually

of Pittsburgh, Pennsylvania

their true and lawful Attorney(s)-in-Fact with full power and authority hereby conferred to sign, seal and execute for and on their behalf bonds, undertakings and other obligatory instruments of similar nature

- In Unlimited Amounts -

and to bind them thereby as fully and to the same extent as if such instruments were signed by a duly authorized officer of their corporations and all the acts of said Attorney, pursuant to the authority hereby given are hereby ratified and confirmed.

This Power of Attorney is made and executed pursuant to and by authority of the By-Laws and Resolutions, printed on the reverse hereof, duly adopted, as indicated, by the Boards of Directors of the corporations.

In Witness Whereof, the CNA Sureties Companies have caused these presents to be signed by their Group Vice President and their corporate seals to be hereto affixed on this 20th day of June, 1996.



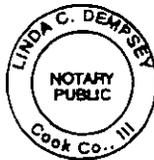
CONTINENTAL CASUALTY COMPANY  
NATIONAL FIRE INSURANCE COMPANY OF HARTFORD  
AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA

M.C. Vonnahme Group Vice President

State of Illinois, County of Cook, ss:

On this 20th day of June, 1996, before me personally came

M. C. Vonnahme, to me known, who, being by me duly sworn, did depose and say: that he resides in the Village of Darien, State of Illinois; that he is a Group Vice President of CONTINENTAL CASUALTY COMPANY, NATIONAL FIRE INSURANCE COMPANY OF HARTFORD, and AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA described in and which executed the above instrument; that he knows the seals of said corporations; that the seals affixed to the said instrument are such corporate seals; that they were so affixed pursuant to authority given by the Boards of Directors of said corporations and that he signed his name thereto pursuant to like authority, and acknowledges same to be the act and deed of said corporations.



My Commission Expires October 19, 1998

Linda C. Dempsey Notary Public

**CERTIFICATE**

I, John M. Littler, Assistant Secretary of CONTINENTAL CASUALTY COMPANY, NATIONAL FIRE INSURANCE COMPANY OF HARTFORD, and AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA do hereby certify that the Power of Attorney herein above set forth is still in force, and further certify that the By-Law and Resolution of the Board of Directors of each corporation printed on the reverse hereof are still in force. In testimony whereof I have hereunto subscribed my name and affixed the seals of the said corporations this 27th day of February, 97.



CONTINENTAL CASUALTY COMPANY  
NATIONAL FIRE INSURANCE COMPANY OF HARTFORD  
AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA

John M. Littler Assistant Secretary

A description of the types and amounts of insurance carried by Applicant which are specifically intended to provide for or support its financial fitness to perform its obligations as a licensee.

Such other information that demonstrates Applicant's financial fitness.

Refer to Exhibit E and F.

**B. Applicant must provide the following information:**

Identify Applicant's chief officers including names and their professional resumes.

**Stephen E. Williams, President**

Graduate - Harvard University

Graduate - West Virginia University School of Law

Joined CNG Transmission Corporation as General Counsel - 1974

Named Senior Vice President and General Counsel of Consolidated Natural Gas Company - 1993

Named Acting President of CNG Energy Services Corporation, of CNG Storage Service Company and of CNG Power Services Corporation - September 1996

Named President, CNG Retail Services Corporation - 1997

**Glen R. Waisner, Jr. - Vice President, Mass Marketing**

Graduate - Case Western Reserve University

Graduate - John Carroll University - M.B.A.

Joined East Ohio Gas Company as a Technical Management Trainee - 1978

Promoted to various engineering, corporate planning, and regulatory positions - 1978-1989

Named Director, Gas Supply and Transportation Services at East Ohio Gas Company - 1989

Named Director of Marketing for East Ohio Gas Company - 1994

Served as CNG "Change Agent" assigned with and achieving such goals as a strategic overseas electricity business alliance and developing information and telecommunications technology standardsthroughout CNG's gas supply and marketing operations - 1992 - 1997

Named Vice President, Mass Marketing for CNG Retail Services Corporation - 1997

**Robert M. Sable, Jr. - Treasurer**

Graduate - University of Pittsburgh

Graduate - University of Pittsburgh - M.B.A.

Joined Consolidated Natural Gas Company as Corporate Benefits Accountant - 1978

Promoted to various posts in the treasurer's office, including Senior Financial Analyst, Manager of Cash Operations, Assistant Treasurer, and Senior Assistant Treasurer

Named Treasurer of Consolidated Natural Gas Company - 1995

Named Treasurer of CNG Retail Services Corporation - 1997

November 12, 1996

Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, DC 20549

Re: File No. 1-3196

We are filing herewith via EDGAR Consolidated Natural Gas Company's quarterly report on Form 10-Q for the quarter ended September 30, 1996.

S. R. MCGREEVY

S. R. McGreevy  
Vice President, Accounting  
and Financial Control

SRM/hld  
Enclosures

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

-----  
FORM 10-Q

QUARTERLY REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

FOR THE QUARTER ENDED

SEPTEMBER 30, 1996

Commission File Number 1-3196

-----  
CONSOLIDATED NATURAL GAS COMPANY

A Delaware Corporation

CNG Tower, 625 Liberty Avenue, Pittsburgh, PA 15222-3199

Telephone (412) 227-1000

IRS Employer Identification Number 13-0596475

-----  
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 preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Number of shares of Common Stock, \$2.75 Par Value, outstanding at October 31, 1996: 94,835,480

CONSOLIDATED NATURAL GAS COMPANY  
FORM 10-Q QUARTERLY REPORT  
For the Quarter Ended September 30, 1996

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PART I -- FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS

Consolidated Natural Gas Company and Subsidiaries  
CONSOLIDATED STATEMENT OF INCOME  
(Unaudited) (Thousands of Dollars)

	Nine Months to <u>September 30</u>		Three Months to <u>September 30</u>	
	1996	1995	1995	1996
<b>OPERATING REVENUES</b>				
Regulated gas sales . . . . .	\$1,165,054	\$1,087,117	\$150,648	\$133,809
Nonregulated gas sales . . . . .	743,283	780,940	221,193	221,563
Total gas sales . . . . .	<u>1,908,337</u>	<u>1,868,057</u>	<u>371,841</u>	<u>355,372</u>
Gas transportation and storage . . . . .	341,388	325,364	99,467	98,057
Other . . . . .	315,366	178,330	123,749	61,713
Total operating revenues (Note 3) . . . . .	<u>2,565,091</u>	<u>2,371,751</u>	<u>595,057</u>	<u>515,142</u>
<b>OPERATING EXPENSES</b>				
Purchased gas . . . . .	1,043,591	1,182,205	183,963	219,567
Transport capacity and other purchased products . . . . .	227,121	111,953	100,363	39,162
Operation expense (Note 5) . . . . .	483,092	465,450	159,450	131,849
Maintenance . . . . .	58,541	61,934	19,625	20,405
Depreciation and amortization . . . . .	223,870	188,975	77,309	59,536
Impairment of gas and oil producing properties (Note 4) . . . . .	-	226,209	-	-
Taxes, other than income taxes . . . . .	143,706	145,988	43,302	42,667
Subtotal . . . . .	<u>2,179,921</u>	<u>2,382,714</u>	<u>584,012</u>	<u>513,186</u>
Operating income before income taxes . . . . .	385,170	(10,963)	11,045	1,956
Income taxes . . . . .	109,658	(41,648)	(3,806)	(8,575)
Operating income . . . . .	<u>275,512</u>	<u>30,685</u>	<u>14,851</u>	<u>10,531</u>
<b>OTHER INCOME (DEDUCTIONS)</b>				
Interest revenues . . . . .	2,356	7,577	772	1,994
Write-down of coal properties (Note 5) . . . . .	-	(31,266)	-	-
Other-net . . . . .	8,199	4,761	3,612	1,846
Total other income (deductions) . . . . .	<u>10,555</u>	<u>(18,928)</u>	<u>4,384</u>	<u>3,840</u>

Income before interest charges . . .	286,067	11,757	19,235	14,371
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
INTEREST CHARGES				
Interest on long-term debt . . . . .	74,082	71,030	24,695	24,797
Other interest expense . . . . .	5,631	10,993	1,038	2,407
Allowance for funds used during construction . . . . .	(3,945)	(4,143)	(1,380)	(1,618)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total interest charges . . . . .	75,768	77,880	24,353	25,586
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
NET INCOME (LOSS) . . . . .	\$ 210,299	\$ (66,123)	\$ (5,118)	\$ (11,215)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Earnings (loss) per share of common stock, based on average shares outstanding . .	\$ 2.23	\$ (.71)	\$ (.05)	\$ (.12)
Average common shares outstanding (thousands) . . . . .	94,284	93,180	94,637	93,312
Dividends declared per common share.	\$1.455	\$1.455	\$.485	\$.485

The Notes to Consolidated Financial Statements are an integral part of this statement.

ITEM 1. FINANCIAL STATEMENTS (Continued)

Consolidated Natural Gas Company and Subsidiaries  
 CONDENSED CONSOLIDATED BALANCE SHEET  
 (Thousands of Dollars)

	At September 30, 1996 (Unaudited)	At December 31, 1995
<b>ASSETS</b>		
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Gas utility and other plant.....	\$ 4,775,179	\$ 4,710,086
Accumulated depreciation and amortization.....	(1,818,928)	(1,785,965)
Net gas utility and other plant.....	<u>2,956,251</u>	<u>2,924,121</u>
Exploration and production properties.....	3,405,008	3,219,264
Accumulated depreciation and amortization.....	(2,350,262)	(2,230,980)
Net exploration and production properties.....	<u>1,054,746</u>	<u>988,284</u>
Net property, plant and equipment.....	<u>4,010,997</u>	<u>3,912,405</u>
<b>CURRENT ASSETS</b>		
Cash and temporary cash investments.....	33,577	36,277
Accounts receivable, less allowance for doubtful accounts.....	361,344	656,338
Gas stored - current portion.....	220,802	112,429
Materials and supplies (average cost method)...	36,490	35,815
Unrecovered gas costs.....	106,826	25,123
Deferred income taxes - current (net).....	-	20,993
Prepayments and other current assets.....	154,604	181,686
Total current assets.....	<u>913,643</u>	<u>1,068,661</u>
<b>REGULATORY AND OTHER ASSETS</b>		
Unamortized abandoned facilities.....	19,037	28,672
Other investments (Note 9).....	98,087	60,939
Deferred charges and other assets (Notes 3 and 5).....	356,960	347,616
Total regulatory and other assets.....	<u>474,084</u>	<u>437,227</u>
Total assets.....	<u>\$ 5,398,724</u>	<u>\$ 5,418,293</u>
	=====	=====

STOCKHOLDERS' EQUITY AND LIABILITIES

CAPITALIZATION

Common stockholders' equity (Notes 6 and 7)

Common stock, par \$2.75 (Issued: 1996 - 94,800,947 shares; 1995 - 93,591,623 shares).....	\$ 260,703	\$ 257,377
Capital in excess of par value.....	530,580	478,535
Retained earnings.....	1,382,547	1,309,906
Unearned compensation.....	(18,122)	-
	<hr/>	<hr/>
Total common stockholders' equity.....	2,155,708	2,045,818
Long-term debt (Note 8).....	1,288,723	1,291,811
	<hr/>	<hr/>
Total capitalization.....	3,444,431	3,337,629

CURRENT LIABILITIES

Current maturities on long-term debt.....	10,250	10,250
Commercial paper.....	409,000	336,000
Accounts payable.....	311,695	410,296
Estimated rate contingencies and refunds (Note 3).....	24,313	59,363
Amounts payable to customers.....	-	40,315
Taxes accrued.....	17,270	114,335
Deferred income taxes - current (net).....	33,467	-
Other current liabilities.....	159,179	140,731
	<hr/>	<hr/>
Total current liabilities.....	965,174	1,111,290

DEFERRED CREDITS

Deferred income taxes.....	687,790	672,266
Accumulated deferred investment tax credits....	29,380	31,031
Deferred credits and other liabilities.....	271,949	266,077
	<hr/>	<hr/>
Total deferred credits.....	989,119	969,374

COMMITMENTS AND CONTINGENCIES

Total stockholders' equity and liabilities	\$ 5,398,724	\$ 5,418,293
	=====	=====

The Notes to Consolidated Financial Statements are an integral part of this statement.

ITEM 1. FINANCIAL STATEMENTS (Continued)

Consolidated Natural Gas Company and Subsidiaries  
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
 (Unaudited) (Thousands of Dollars)

	Nine Months to September 30	
	1996	1995
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss).....	\$ 210,299	\$ (66,123)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization.....	223,870	188,975
Impairment of gas and oil producing properties.....	-	226,209
Write-down of coal properties.....	-	31,266
Deferred income taxes-net.....	65,402	(114,367)
Changes in current assets and current liabilities		
Accounts receivable-net.....	293,450	177,394
Inventories.....	(109,048)	1,334
Unrecovered gas costs.....	(81,703)	13,135
Accounts payable.....	(121,130)	(29,081)
Estimated rate contingencies and refunds.....	(35,050)	47,316
Amounts payable to customers.....	(40,315)	7,621
Taxes accrued.....	(97,065)	(10,353)
Other-net.....	45,188	45,663
Changes in other assets and other liabilities.....	3,340	55,095
Other.....	505	2,276
Net cash provided by operating activities...	<u>357,743</u>	<u>576,360</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Plant construction and other property additions.....	(297,649)	(311,042)
Proceeds from dispositions of property, plant and equipment-net.....	9,748	12,489
Cost of other investments-net.....	(37,397)	(4,761)
Net cash used in investing activities.....	<u>(325,298)</u>	<u>(303,314)</u>
<b>CASH FLOWS PROVIDED BY (OR USED IN) FINANCING ACTIVITIES</b>		
Issuance of common stock.....	32,617	11,887
Issuance of debentures.....	-	148,899
Unsecured loan repayment.....	(4,000)	(4,000)
Commercial paper-net.....	73,307	(299,805)
Dividends paid.....	(137,072)	(135,496)
Other-net.....	3	(10)

Net cash used in financing activities.....	(35,145)	(278,525)
Net decrease in cash and temporary cash investments.....	(2,700)	(5,479)
CASH AND TEMPORARY CASH INVESTMENTS AT JANUARY 1....	36,277	31,923
CASH AND TEMPORARY CASH INVESTMENTS AT SEPTEMBER 30.	\$ 33,577	\$ 26,444
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for		
Interest (net of amounts capitalized).....	\$ 65,411	\$ 60,320
Income taxes (net of refunds).....	\$ 78,970	\$ 58,501
Non-cash financing activities		
Issuance of stock under benefit plans.....	\$ 23,720	\$ 975

The Notes to Consolidated Financial Statements are an integral part of this statement.

ITEM 1. FINANCIAL STATEMENTS (Continued)

Consolidated Natural Gas Company and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) With the exception of the Condensed Consolidated Balance Sheet at December 31, 1995, which is derived from the Consolidated Balance Sheet at that date which was included in the Annual Report to the Securities and Exchange Commission (SEC) on Form 10-K for 1995 (1995 Form 10-K), the consolidated financial statements appearing on pages 1 through 3 are unaudited. In the opinion of management, the information furnished reflects all adjustments necessary to a fair statement of the results for the interim periods presented.

(2) Because a major portion of the gas sold or transported by the Company's distribution and transmission operations is ultimately used for space heating, both revenues and earnings are subject to seasonal fluctuations. Because of low seasonal demand for gas during the summer months, third quarter results are usually the least significant of the year for the Company. Seasonal fluctuations are further influenced by the timing of price relief granted under regulation to compensate for past cost increases.

(3) Certain increases in prices by subsidiaries and other rate-making issues are subject to final modification in regulatory proceedings. The related accumulated provisions pertaining to these matters were \$24,239,000 and \$5,553,000 at December 31, 1995, and September 30, 1996, respectively, including interest. These amounts are reported in the Condensed Consolidated Balance Sheet under "Estimated rate contingencies and refunds" together with \$35,124,000 and \$18,760,000, respectively, which are primarily refunds received from suppliers and refundable to customers under regulatory procedures.

The Company's distribution subsidiaries have incurred or are expected to incur obligations to upstream pipeline companies, including CNG Transmission Corporation (CNG Transmission, a subsidiary), for transition costs under Federal Energy Regulatory Commission (FERC) Order 636. The estimated liability for such costs was \$37,021,000 and \$20,663,000 at December 31, 1995, and September 30, 1996, respectively. Additional amounts are likely to be accrued in the future once the pipeline companies receive final FERC approval to recover their remaining transition costs. Based on management's current estimates, the distribution subsidiaries' portion of such additional costs could be in the range of \$20 million.

Based on regulatory actions in two jurisdictions and the past rate-making treatment of similar costs in the other jurisdictions, management believes that the distribution subsidiaries should generally be able to pass through all Order 636 transition costs to their customers.

(4) As described in the 1995 Form 10-K, the Company follows the full cost method of accounting for its gas and oil producing activities prescribed by the SEC. Under this method, all costs directly associated with property acquisition, exploration and development activities are capitalized, with the limitation that such amounts, net of related deferred taxes, not exceed the

present value of the estimated future net revenues expected from the production of the related proved gas and oil reserves. The estimate of future revenues is determined under guidelines established by the SEC and is not necessarily indicative of the future economic value of the Company's proved reserves. However, if net capitalized costs exceed the estimated value at the end of any quarterly period, then a permanent write-down of the assets must be recognized in that period.

Due primarily to the decline in wellhead gas prices during the first quarter of 1995, the Company was required to recognize an impairment of its gas and oil producing properties at March 31, 1995. The charge amounted to \$226,209,000 and reduced 1995 first quarter net income by \$145,000,000, or \$1.56 per share. The charge had no effect on the Company's cash flow.

ITEM 1. FINANCIAL STATEMENTS (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) The Company recognized charges in the 1995 second and third quarters and the 1996 first quarter in connection with workforce reduction programs and in the 1995 second quarter for the write-down of the carrying value of its coal properties.

Workforce Reduction Programs

A workforce reduction program approved in March 1995 by the Company's Board of Directors included a voluntary early retirement program and an involuntary separation program. The early retirement program was offered at six of the Company's subsidiaries from April 1 through May 31, 1995, with eligible employees retiring before December 31, 1995. In June 1995, the Board of Directors approved a separate workforce reduction program at a seventh subsidiary that included voluntary early retirement incentives similar to those offered at the other six subsidiaries. The early retirement program was offered at the seventh subsidiary from July 1 through August 31, 1995, with eligible employees retiring before December 31, 1995. A total of 571 eligible employees elected to accept the early retirement offer and an additional 217 employees were separated from the Company in conjunction with these programs. In connection with the programs, the Company recorded charges to earnings in the second and third quarters of 1995 amounting to \$36,412,000 and \$3,457,000, respectively, for retirement incentives and severance costs. Such charges reduced 1995 second and third quarter net income by \$23,668,000, or 25 cents a share, and \$2,343,000, or 2 cents a share, respectively. In addition, certain of the Company's regulated subsidiaries deferred \$10,004,000 of workforce reduction costs pending recovery in future rate-making proceedings.

In January 1996, unions at two subsidiaries approved the adoption of a workforce reduction program that consisted of a voluntary early retirement program, with eligibility based upon the employee's age and years of service as of December 31, 1996, and a voluntary separation program. The early retirement incentives included five additional years of age and pension service for determining pension benefits. The early retirement program was offered from February 1 through March 31, 1996, with eligible employees retiring effective April 1, 1996. The voluntary separation program involved severance benefit payments to affected employees. A total of 73 eligible employees elected to accept the early retirement offer and an additional 57 employees were separated from the Company under the voluntary program. In connection with the workforce reduction program, the Company recorded charges to earnings in the first quarter of 1996 amounting to \$3,379,000 for retirement incentives and severance costs. Such charges reduced 1996 first quarter net income by \$2,069,000, or 2 cents a share. In addition, one of the subsidiaries has deferred \$812,000 of workforce reduction costs pending recovery in future rate-making proceedings.

In September 1996, the Board of Directors approved a separate early retirement program for West Ohio Gas Company (West Ohio Gas) in connection with its planned merger into The East Ohio Gas Company (East Ohio Gas) (see "Other Information," page 14), each a wholly owned subsidiary of the Company.

This program includes voluntary early retirement incentives similar to those offered previously at the Company's other subsidiaries and is being offered from October 1 through November 29, 1996, with eligible employees retiring effective December 1, 1996. Charges resulting from this program are not expected to be significant.

ITEM 1. FINANCIAL STATEMENTS (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Write-down and Subsequent Sale of Coal Properties

In early 1995, the Company initiated an evaluation of the possible disposition of the coal reserves and related properties owned by CNG Coal Company (CNG Coal, a subsidiary). These reserves had been acquired in the late 1960s and 1970s to meet expected long-term gas supply needs through coal gasification. However, due to gas industry deregulation, excess gas supplies nationwide, and both low demand and prices for coal, the Company concluded that it was not economically feasible to develop such reserves, nor were these assets aligned with the Company's longer-term strategy.

An appraisal of the properties was completed during the second quarter of 1995 by an independent geological firm, which indicated that a write-down was warranted. Accordingly, at June 30, 1995, the cost of these properties was written down resulting in a pretax charge amounting to \$31,266,000. This charge reduced 1995 second quarter net income by \$20,323,000, or 22 cents per share, but had no effect on the Company's cash flow.

In July 1996, CNG Coal completed the sale of its coal properties to Cyprus Consolidated Resources Corporation, a subsidiary of Cyprus Amax Minerals Company. Proceeds from the sale consist of an initial cash payment, cash to be received in the form of equal annual installments, and payments to be received from the future production of the coal reserves. The sale of the properties did not have a material effect on the Company's financial condition, results of operations or cash flow.

(6) A summary of the changes in common stock, capital in excess of par value, unearned compensation and treasury stock subsequent to December 31, 1995, follows:

	Common Stock Issued		Capital in Excess of Par Value	Treasury Stock	
	Number of Shares	Value at Par		Unearned Compensation	Number of Shares
<u>Cost</u>					
			(In Thousands)		
At December 31, 1995.....	93,592	\$257,377	\$478,535	\$ -	-
\$ - Common stock issued					
Stock options.....	679	1,869	26,097	-	-
-					
Performance shares-net....	374	1,028	16,016	(17,044)	-
-					
Stock awards-net.....	80	221	3,453	(3,564)	-
-					
Dividend Reinvestment Plan... 76	76	208	3,537	-	-
-					

Amortization and adjustment..	-	-	3,002	2,486	-
Purchase of treasury stock.....	-	-	-	-	(62)
(3,355)					
Sale of treasury stock.....	-	-	(60)	-	62
3,355					
<hr/>					
At September 30, 1996.....	94,801	\$260,703	\$530,580	\$(18,122)	-
\$ -		=====	=====	=====	=====
=====	=====				

Beginning in the first quarter of 1996, restricted stock awards and performance restricted stock awards (performance shares) were granted to certain key employees of the Company. The common stock issued for these awards is held by the Company until the attached restrictions lapse. The market value of the restricted stock awards on the date granted is recognized as compensation expense over the vesting period - in this case, three years. For performance shares, the market value of the awards, including any changes since the date of grant, is recognized as compensation expense over the three-year performance period. The value of the awards not yet recognized as compensation expense is reflected in common stockholders' equity as unearned compensation.

ITEM 1. FINANCIAL STATEMENTS (Concluded)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Concluded)

(7) The indenture between the Company and The Chase Manhattan Corporation (formerly Chemical Bank), as Trustee, relating to certain of the Company's senior debenture issues contains restrictions on dividend payments by the Company and acquisitions of its capital stock. Under these provisions, \$576,274,000 of consolidated retained earnings was free from such restrictions at September 30, 1996.

(8) The 9 3/8% Debentures Due February 1, 1997, continue to be classified as long-term debt at September 30, 1996, based on the Company's intent and ability to refinance the Debentures. Subsequent to the end of the third quarter, the Company sold \$150,000,000 of 6 7/8% Debentures Due October 15, 2026. The Debentures are noncallable but will be redeemed at par at the option of the holder on October 15, 2006. Payment for the Debentures took place on October 21, 1996.

(9) As previously reported, on June 28, 1996, CNG Iroquois, Inc. (CNG Iroquois), a wholly owned subsidiary of CNG Transmission, entered into a definitive agreement with ANR Iroquois, Inc. to acquire an additional 6.6% interest in Iroquois Gas Transmission System, L.P. (Iroquois). Iroquois owns and operates a 375-mile interstate natural gas transmission pipeline from Canada to the northeast United States. The transaction was completed September 17, 1996, at a net purchase price of \$13.8 million in cash. At September 30, 1996, CNG Iroquois held a 16% general partnership interest in Iroquois with a total investment of \$31.4 million.

(10) Effective January 1, 1996, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This standard requires that long-lived assets and certain intangibles be reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the aggregate estimated future cash flows to be derived from an asset are less than its carrying amount, an impairment must be recognized. The Company's gas and oil producing activities that are subject to the SEC's full cost accounting method will continue to be evaluated for impairment under SEC Regulation S-X. SFAS No. 121 also requires the write-off of a regulatory asset if and when it is no longer probable that future revenues will provide for the recovery of the carrying value of the asset. The adoption of SFAS No. 121 did not have a material effect on the Company's financial position, results of operations or cash flows.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

Because of low seasonal demand for gas during the summer months, sales and transportation revenues are lower during this period compared to the first and second quarters, and third quarter results generally range from a loss to a small profit. As shown in the Condensed Consolidated Statement of Cash Flows, net cash provided by operating activities was \$357.7 million and \$576.3 million for the nine months ended September 30, 1996 and 1995, respectively. The decline in net cash provided by operating activities in 1996 is due in part to the deferral of purchased gas costs in excess of costs currently recovered in rates and the payment of customer refunds during the period. In the current nine-month period, available cash was used primarily to satisfy cash requirements for operations, capital expenditures, and dividend payments.

Due to the seasonality of the regulated subsidiaries' heating business, the balance sheet at the end of September customarily shows a significant decrease in accounts receivable from the balance at the end of the previous year. Also, by September 30, gas inventories which had been withdrawn during the early part of the year have been substantially replenished for the forthcoming heating season.

As discussed in Note 8 to the consolidated financial statements, subsequent to the end of the third quarter the Company sold \$150 million of debentures under a currently-effective shelf registration with the SEC. The proceeds from this transaction will be used to finance, in part, 1996 capital expenditures and/or acquire, retire or redeem securities of which the Company is an issuer.

During the remainder of 1996, funds required for the capital spending program, as well as other general corporate purposes, are expected to be obtained principally from internal cash generation. The sale of commercial paper will be used to provide short-term financing for the subsidiaries, primarily for gas inventory and other working capital requirements.

The Company's two short-term credit agreements totaling \$775 million are available to support commercial paper borrowings. In addition, borrowings under the short-term credit agreements may be used to temporarily finance capital expenditures. There were no amounts outstanding under these agreements at September 30, 1996. Although the Company does not currently anticipate the need for additional external financing in 1996, such funds, if necessary, could be obtained through the issuance of new debt securities. In this regard, the Company's shelf registration with the SEC would permit the sale of up to \$200 million of debt securities.

Reference is made to Note 10 to the consolidated financial statements for information regarding a new accounting standard adopted by the Company in 1996. Also in connection with this discussion of financial condition, reference is made to Notes 3 and 5 through 7 to the consolidated financial statements.

## RESULTS OF OPERATIONS

A major portion of the gas sold or transported by the Company's distribution and transmission operations is ultimately used for space heating. As a result, earnings are affected by changes in the weather. Because most of the operating subsidiaries are subject to price regulation by federal or state commissions, earnings can be affected by regulatory delays when price increases are sought through general rate filings to recover certain higher costs of operation.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

System Results

The Company reported net income for the first nine months of 1996 of \$210,299,000, or \$2.23 a share, compared with a net loss of \$66,123,000, or 71 cents a share, in the first nine months of 1995. Results for 1995, however, include the effects of three special items. During the 1995 first quarter, the Company recorded a non-cash charge to write down the cost of gas and oil producing properties, amounting to \$145,000,000 after taxes, or \$1.56 per share. During the second and third quarters of 1995, the Company recorded charges totaling \$26,011,000 after taxes, or 27 cents a share, for costs related to the implementation of workforce reduction programs. Also in the 1995 second quarter, the Company recognized a non-cash charge of \$20,323,000 after taxes, or 22 cents a share, in connection with a write-down of coal properties. Excluding these special items, net income for the first nine months of 1995 would have been \$125,211,000, or \$1.34 per share. Reference is made to Notes 4 and 5 to the consolidated financial statements, pages 4 and 5, for details of the special charges recognized in 1995.

For the 1996 third quarter, the Company reported a net loss of \$5,118,000, or 5 cents a share, compared with a net loss of \$11,215,000, or 12 cents a share, in the prior year period. Excluding workforce reduction charges of \$2,343,000 after taxes, or 2 cents a share, recognized during the 1995 third quarter, the net loss for the prior year quarter would have been \$8,872,000, or 10 cents a share. The Company's utility operations normally experience a loss in the third quarter because of low seasonal demand for gas in the summer months.

Higher wellhead prices for natural gas and oil, increased gas and oil production, colder weather, cost controls and the impact of new rates in place for most of the Company's gas distribution customers contributed to the improved results for both the first nine months and third quarter of 1996. Weather in the Company's retail service territories through the first nine months of 1996 was 13.8 percent colder than 1995 and 7.5 percent colder than normal.

Operating Revenues

Regulated gas sales revenues in the first nine months of 1996 increased \$77.9 million from the comparable 1995 period, with sales volumes increasing 15.9 billion cubic feet (Bcf), to 203.7 Bcf. Regulated gas sales revenues and volumes increased in 1996 for the Company's residential and commercial customer groups, while revenues and volumes declined for the industrial customer class. In the third quarter, regulated gas sales revenues increased \$16.8 million, to \$150.6 million, as higher gas sales rates for residential and commercial customers more than offset the effect of declines in sales volumes. Nonregulated gas sales revenues declined \$37.7 million, to \$743.3 million, in the first nine months of 1996 while sales volumes declined 171.6 Bcf, to 282.0 Bcf. Third quarter 1996 nonregulated gas sales revenues decreased \$.4 million, to \$221.2 million, while sales volumes decreased 38.8

Bcf to 92.5 Bcf. Despite higher gas sales prices, reduced transaction volumes of the energy marketing services component due to market conditions and lower gas margins resulted in the declines in nonregulated gas sales in both 1996 periods.

Gas transportation and storage revenues were \$341.4 million in the first nine months of 1996, up \$16.0 million over 1995. The increase was due to higher gas transportation revenues, which increased \$19.4 million due to higher volumes and rates, partly offset by lower storage service revenues. Gas transportation and storage revenues increased \$1.4 million in the third quarter of 1996 compared to the year-ago period due to higher gas transportation revenues, as higher rates more than offset the effect of lower volumes and lower storage service revenues.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Other operating revenues increased \$137.1 million in the first nine months of 1996. Electricity sales by the energy marketing services component increased \$51.1 million compared to the first nine months of 1995. Revenues from oil brokering increased \$47.4 million due to both higher volumes and rates, while revenues from the sale of oil and condensate production increased \$20.2 million. Revenues from the sale of products extracted from natural gas increased \$5.7 million. Other revenues increased \$12.7 million in the first nine months of 1996 due in part to increased revenues from royalties and other miscellaneous revenue categories. In the third quarter of 1996, total other operating revenues increased \$62.1 million compared to 1995 due largely to increased revenues from electricity sales and oil brokering.

Operating Expenses

Excluding the impact of the 1995 first quarter impairment of gas and oil producing properties and the 1995 second and third quarter workforce reduction charges, total operating expenses, excluding income taxes, for the first nine months of 1996 increased \$63.2 million. Excluding the effect of the 1995 third quarter workforce reduction charge, operating expenses were up \$74.2 million in the third quarter. Total purchased gas expense was down \$138.6 million in the first nine months and \$35.6 million in the third quarter of 1996 compared to the prior year periods. Decreased volume requirements in connection with nonregulated gas sales and the deferral of purchased gas costs by the regulated subsidiaries more than offset the effect of higher average purchase prices during both 1996 periods. Transport capacity and other purchased products expense was higher in both 1996 periods, increasing \$115.1 million in the first nine months and \$61.1 million in the third quarter. These increases were due primarily to electricity purchased for resale by the energy marketing services component and oil purchased for resale by CNG Producing Company (CNG Producing, a subsidiary). Excluding the effect of the 1995 workforce reduction charges, combined operation and maintenance expense increased \$54.1 million in the first nine months of 1996 and \$30.3 million in the third quarter due in large part to higher royalties paid in 1996 resulting from higher gas and oil wellhead prices and production. Workforce reduction costs incurred in the first quarter of the year also affected 1996 expenses (see Note 5 to the consolidated financial statements, page 5). The increases in both 1996 periods were partially offset by lower payroll and certain administrative expenses. Depreciation and amortization expense increased \$34.9 million and \$17.8 million in the first nine months and third quarter of 1996, respectively, due primarily to higher gas and oil production volumes. Taxes, other than income taxes, were down \$2.3 million in the first nine months of 1996 due in large part to lower excise and payroll taxes.

Income taxes increased \$151.4 million in the first nine months of 1996 reflecting pretax income of \$320.0 million in the period, compared to a pretax loss of \$107.8 million in 1995. The 1996 third quarter income tax benefit decreased \$4.8 million compared to the prior year quarter due chiefly to a smaller pretax operating loss in 1996.

Interest Revenues and Interest Charges

Interest revenues declined \$5.2 million in the first nine months of 1996 and \$1.2 million in the third quarter due primarily to the lower level of temporary cash investments in 1996.

Total interest charges decreased \$2.1 million and \$1.2 million in the first nine months and the third quarter of 1996, respectively. The declines in both periods were due largely to lower interest expense related to customer refunds. The decrease in the first nine months of 1996 was partially offset by higher interest expense related to the \$150 million of debentures issued in April 1995.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

In connection with this discussion of results of operations, reference is also made to Notes 2 and 3 to the consolidated financial statements.

DATA BY BUSINESS COMPONENTS

The following table sets forth certain data for the components of the Company's business.

	Nine Months to September 30		Three Months to September 30	
	1996	1995	1996	1995
<b>OPERATING INCOME BEFORE INCOME TAXES (In Millions)</b>				
Distribution . . . . .	\$ 175.9	\$ 101.3	\$ (37.4)	\$ (33.7)
Transmission . . . . .	133.9	106.2	35.3	28.2
Exploration and production . . . . .	89.7	(223.4)	26.0	8.3
Energy marketing services* . . . . .	(7.8)	2.3	(10.0)	(2.1)
Other . . . . .	(.2)	2.1	(.8)	.6
Corporate and eliminations . . . . .	(6.3)	.5	(2.0)	.6
Total . . . . .	<u>\$ 385.2</u>	<u>\$ (11.0)</u>	<u>\$ 11.1</u>	<u>\$ 1.9</u>
	=====	=====	=====	=====
<b>OPERATING REVENUES (In Millions)</b>				
Distribution . . . . .	\$1,273.8	\$1,190.1	\$ 176.2	\$ 165.1
Transmission . . . . .	367.3	330.5	108.8	88.7
Exploration and production . . . . .	446.0	254.8	154.5	84.0
Energy marketing services* . . . . .	907.8	853.9	286.4	248.1
Other . . . . .	13.6	13.1	4.6	4.3
Corporate and eliminations . . . . .	(443.4)	(270.6)	(135.4)	(75.0)
Total . . . . .	<u>\$2,565.1</u>	<u>\$2,371.8</u>	<u>\$ 595.1</u>	<u>\$ 515.2</u>
	=====	=====	=====	=====
<b>GAS SALES (In Bcf)</b>				
Distribution . . . . .	203.9	187.8	18.2	19.1
Exploration and production . . . . .	118.2	92.2	40.4	29.9
Energy marketing services* . . . . .	300.9	454.8	99.0	131.4
Eliminations . . . . .	(137.3)	(93.4)	(46.9)	(30.0)
Total sales . . . . .	<u>485.7</u>	<u>641.4</u>	<u>110.7</u>	<u>150.4</u>
	=====	=====	=====	=====
<b>GAS TRANSPORTATION (In Bcf)</b>				
Distribution . . . . .	126.0	118.4	32.4	33.4
Transmission . . . . .	548.9	528.4	117.6	125.1
Exploration and production . . . . .	1.4	1.3	.5	.4
Energy marketing services* . . . . .	2.3	3.9	.7	1.2
Eliminations . . . . .	(133.4)	(111.9)	(20.6)	(25.1)
Total transportation . . . . .	<u>545.2</u>	<u>540.1</u>	<u>130.6</u>	<u>135.0</u>
	=====	=====	=====	=====

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\*Amounts for the three and nine months ended September 30, 1996 and the three and six months ended September 30, 1995 include CNG Storage Service Company (CNG Storage). CNG Storage was included in the "Transmission" component for the three months ended March 31, 1995.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Distribution

Operating income before income taxes of the gas distribution operations was \$175.9 million in the first nine months of 1996, compared to \$101.3 million in the first nine months of 1995. Results for the 1995 period include workforce reduction charges totaling \$20.9 million. Excluding these special charges, operating income before income taxes for the first nine months of 1995 was \$122.2 million. Distribution throughput in the first nine months of 1996 was 329.9 Bcf, an 8 percent increase over the prior year, reflecting weather that was both colder than normal and colder than 1995. Operating results for the first nine months of 1996 also benefited from cost control efforts at the distribution subsidiaries and the impact of general rate increases that went into effect in the latter part of 1995 at The Peoples Natural Gas Company, Hope Gas, Inc. and East Ohio Gas.

Residential gas sales volumes increased 13.8 Bcf in the first nine months of 1996 to 150.4 Bcf. Commercial sales increased 1.0 Bcf while volumes transported for these customers were up 5.6 Bcf. Deliveries to industrial customers were slightly lower in the 1996 period, decreasing .7 Bcf to 101.1 Bcf. Industrial sales were down .2 Bcf to 4.8 Bcf, while transportation volumes declined .5 Bcf to 96.3 Bcf.

In the third quarter of 1996, the distribution operations reported an operating loss before income taxes of \$37.4 million, compared to an operating loss before income taxes of \$33.7 million in the prior year quarter. Excluding workforce reduction charges, the 1995 third quarter operating loss before income taxes was \$30.5 million. Results for the 1996 quarter reflect lower throughput and the costs associated with combining and streamlining certain business functions. Cost savings from these restructuring changes should be realized in future periods. Residential gas sales volumes of 13.3 Bcf were relatively flat compared to the year ago period. While commercial sales volumes were down .6 Bcf to 4.1 Bcf, gas transported for these customers was up .4 Bcf to 3.8 Bcf in the 1996 quarter. Deliveries to industrial customers decreased 1.7 Bcf to 29.0 Bcf reflecting declines in both sales and transportation volumes.

Transmission

Operating income before income taxes of the gas transmission operations in the first nine months of 1996 was \$133.9 million, up \$27.7 million from \$106.2 million in 1995. Results for 1995 include workforce reduction charges totaling \$6.5 million. Excluding these charges, operating income before income taxes for the first nine months of 1995 was \$112.7 million. For the 1996 third quarter, operating income before income taxes was \$35.3 million, an increase of \$7.1 million from \$28.2 million in 1995. Excluding special charges, 1995 third quarter operating income before income taxes was \$28.6 million. Cost control efforts and increased gas transportation and by-products revenues, partially offset by first quarter 1996 workforce reduction charges of \$3.4 million, contributed to results for the first nine months of 1996. Higher gas transportation and other operating revenues contributed to

improved third quarter results.

Gas throughput for the transmission operations, consisting entirely of transportation volumes, was 548.9 Bcf in the first nine months of 1996, up from 528.4 Bcf in the comparable 1995 period. Gas throughput was 117.6 Bcf in the third quarter of 1996, down 7.5 Bcf from 1995.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Exploration and Production

Operating results for both the first nine months and third quarter of 1996 benefited from higher gas and oil wellhead prices and increased gas and oil production. The exploration and production operations reported operating income before income taxes of \$89.7 million in the first nine months of 1996, compared to an operating loss before income taxes of \$223.4 million in 1995. In the third quarter, operating income before income taxes was \$26.0 million, compared to \$8.3 million in 1995. The loss for the first nine months of 1995 reflects the non-cash charge of \$226.2 million in the first quarter for the impairment of gas and oil producing properties (see Note 4 to the consolidated financial statements, page 4). In addition, the first nine months and third quarter results for 1995 include an \$8.9 million charge and a credit of \$.3 million, respectively, recognized in connection with workforce reductions. Excluding the effects of these special items, the exploration and production operations had operating income before income taxes of \$11.7 million and \$8.0 million in the first nine months and third quarter of 1995, respectively.

The Company's average gas wellhead price in the first nine months of 1996 was \$2.40 a thousand cubic feet (Mcf), compared with \$1.80 in 1995. In the third quarter, the average gas price was \$2.24 per Mcf, up from \$1.78 in the third quarter of 1995. Gas production in the first nine months of 1996 was 104.4 Bcf, up 40 percent from 74.5 Bcf in 1995. Third quarter gas production was 36.9 Bcf, up 56 percent from 23.6 Bcf in the 1995 quarter. The increase in gas production in both 1996 periods is due partially to the impact of two significant Gulf of Mexico projects which commenced production in the first quarter of 1996, Popeye and Main Pass 225. Production also benefited from the effect of production enhancement efforts at existing Company-operated fields. The Company's average oil wellhead prices were higher in both 1996 periods. Oil wellhead prices averaged \$17.19 a barrel in the nine months compared with \$16.24 in 1995, while prices for the quarter averaged \$17.63 a barrel, up from \$15.54 a year ago. Oil production was 3.4 million barrels in the first nine months of 1996, up 43 percent from 2.4 million barrels in 1995. For the third quarter, oil production was 1.3 million barrels, up 57 percent from .8 million barrels in the 1995 quarter. The increase in oil production in both 1996 periods is due in large part to production from the Popeye project.

Energy Marketing Services

Energy marketing services reported an operating loss before income taxes of \$7.8 million in the first nine months of 1996 compared with operating income before income taxes of \$2.3 million in the first nine months of 1995. For the 1996 third quarter, the operating loss before income taxes was \$10.0 million, compared with an operating loss before income taxes of \$2.1 million in the prior year quarter. The 1996 third quarter loss occurred in part because this component contracted for quantities of natural gas to supply power plants during the summer air-conditioning season; these quantities proved to be too high when third quarter weather turned cooler than expected. Higher overhead costs also contributed to the 1996 third quarter loss. Total throughput for this component was 303.2 Bcf for the first nine months of 1996, a decrease of

155.5 Bcf compared to the first nine months of 1995. For the third quarter, total throughput was 99.7 Bcf, compared to 132.6 Bcf in the prior year quarter. This component reduced transaction volumes in both 1996 periods due to market conditions and low gas margins. Power marketing, which includes the sale of wholesale electricity, increased in the first nine months of 1996 to 2,791,000 megawatt-hours compared to 1,654,000 megawatt-hours in 1995. Electricity marketed in the third quarter of 1996 was 1,494,000 megawatt-hours compared to 874,000 megawatt-hours in 1995.

This component also reported equity income of \$5.0 million and \$2.9 million in the first nine months of 1996 and 1995, respectively. Third quarter equity income was \$2.5 million in 1996, compared to \$1.7 million in 1995. Equity income of this component is primarily attributable to the Company's ownership in seven independent power plants. These amounts are not included in operating income before income taxes.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Concluded)

SELECTED TWELVE-MONTH DATA

The following selected financial data (unaudited) relates to the twelve months ended September 30, 1996 (in thousands of dollars):

Operating revenues.....	\$3,500,665
Operating expenses.....	2,955,076
Operating income before income taxes.....	545,589
Income taxes.....	154,249
Other income.....	8,977
Interest charges.....	102,551
Net income.....	\$ 297,766*
Earnings per share of common stock.....	\$3.17*
Average common shares outstanding (thousands).....	94,072
Times fixed charges earned.....	4.82

\*Includes charges related to workforce reductions totaling \$1,676,000 after taxes, or 2 cents a share.

OTHER INFORMATION

State Regulatory Matters

On September 12, 1996, the Company announced its intention to merge West Ohio Gas into East Ohio Gas effective no later than January 1, 1997, pending regulatory approval. The planned merger is part of an overall objective to improve the cost-effectiveness of the distribution operations and to better position the Company for competing in the future energy environment.

On September 25, 1996, Virginia Natural Gas, Inc. (Virginia Natural Gas) filed an expedited rate application with the Virginia State Corporation Commission requesting an annual revenue increase of \$13.9 million. The requested rate increase reflects the recovery of higher operating costs and additional investment in facilities required to serve customers on Virginia Natural Gas' system. The new rates went into effect, subject to refund, on October 25, 1996.

Also on September 25, 1996, East Ohio Gas filed a proposal with the Public Utilities Commission of Ohio to permit open access for all of its Ohio customers. If approved, open access service to customers who do not already have such an option - small business and residential customers - would be phased in beginning mid-1997 with full implementation proposed for April 1998.

Under open access programs, natural gas suppliers other than the local utility can use the utility's existing lines to deliver gas to customers. Under this proposal, Ohio customers would also have the option of continuing to purchase natural gas from East Ohio Gas.

Exploration and Production

On October 17, 1996, CNG Producing announced the acquisition of 47 Bcf equivalent of natural gas reserves in two Utah producing fields for approximately \$24 million. CNG Producing purchased the interests of Enserch Exploration, Inc., in Riverbend, a natural gas field, and West Willow Creek, an oilfield, both in the state of Utah. The purchase gives CNG Producing complete ownership of both fields.

\*\*\*\*\*

In connection with the financial information included in PART I of this report, reference is made to the Company's 1995 Annual Report, its 1995 Form 10-K and its quarterly reports to the SEC on Form 10-Q for the quarters ended March 31 and June 30, 1996.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material new legal proceedings instituted in the third quarter of 1996, and there have been no material developments during the quarter in the legal proceedings disclosed in the Company's 1995 Form 10-K or in any earlier Form 10-Q for 1996 as then pending.

ITEM 2. CHANGES IN SECURITIES

(a) None.

(b) Limitations on the payment of dividends by the Company are set forth in Note 7 to the consolidated financial statements, page 7, and reference is made thereto.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None, other than as described elsewhere in this report.

ITEM 6. EXHIBITS, AND REPORTS ON FORM 8-K

Reports on Form 8-K - None

EXHIBITS

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SEC Exhibit Number	Description of Exhibit
(11)	Statement re Computation of Per Share Earnings: Computations of Earnings Per Share of Common Stock, Primary Earnings Per Share, and Fully Diluted Earnings Per Share of Consolidated Natural Gas Company and Subsidiaries for the three months and nine months ended September 30, 1996 and 1995
(12)	Statement re Computation of Ratios: Ratio of Earnings to Fixed Charges of Consolidated Natural Gas Company and Subsidiaries for the twelve months ended September 30, 1996
(27)	Financial Data Schedule

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SIGNATURES

Pursuant to the requirements 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.

CONSOLIDATED NATURAL GAS COMPANY

---

(Registrant)

D. M. Westfall

---

D. M. Westfall  
Senior Vice President  
and Chief Financial Officer

S. R. McGreevy

---

S. R. McGreevy, Vice President,  
Accounting and Financial Control

November 12, 1996

EXHIBIT INDEX

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(12)	Statement re Computation of Ratios: Ratio of Earnings to Fixed Charges of Consolidated Natural Gas Company and Subsidiaries for the twelve months ended September 30, 1996 is filed herewith
(27)	Financial Data Schedule is filed herewith

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## CONSOLIDATED NATURAL GAS COMPANY AND SUBSIDIARIES

COMPUTATION OF PER SHARE EARNINGS  
(In Thousands, Except Per Share Data)

to 30	Nine Months to		Three Months
	September 30		September
	1996	1995	1996
<hr/>			
1995			
<hr/>			
EARNINGS (LOSS) PER SHARE OF COMMON STOCK, as Shown on the Consolidated Statement of Income			
Net income (loss) . . . . . \$(11,215)	\$210,299	\$(66,123)	\$ (5,118)
	<hr/>	<hr/>	<hr/>
Average common shares outstanding. 93,312	94,284	93,180	94,637
	<hr/>	<hr/>	<hr/>
Earnings (loss) per share of common stock . . . . . \$ (.12)	\$ 2.23	\$ (.71)	\$ (.05)
	=====	=====	=====
=====			
PRIMARY EARNINGS (LOSS) PER SHARE			
Net income (loss) . . . . . \$(11,215)	\$210,299	\$(66,123)	\$ (5,118)
	<hr/>	<hr/>	<hr/>
Average common shares outstanding. 93,312	94,284	93,180	94,637
Incremental shares resulting from assumed exercise of stock options.	606	69	1,057

Average common shares, as adjusted . 93,387	94,890	93,249	95,694
Primary earnings (loss) per share \$ (.12) (2)	2.22 (1)	\$.71 (2)	\$.05 (2) \$
=====	=====	=====	=====
FULLY DILUTED EARNINGS (LOSS) PER SHARE			
Net income (loss) . . . . . \$(11,215)	\$210,299	\$(66,123)	\$(5,118)
Interest on 7 1/4% Convertible Subordinated Debentures, net of tax effect. . . . . 3,090	8,867	8,948	2,973
Net income (loss), as adjusted . . \$ (8,125)	\$219,166	\$(57,175)	\$(2,145)
Average common shares outstanding. . 93,312	94,284	93,180	94,637
Incremental shares resulting from assumed exercise of stock options. 155	770	110	1,063
Shares issuable from assumed conversion of 7 1/4% Convertible Subordinated Debentures . . . . . 4,559	4,559	4,559	4,559
Average common shares, as adjusted . 98,026	99,613	97,849	100,259
Fully diluted earnings (loss) per share . . . . . (.08) (2)	\$ 2.20 (1)	\$.58 (2)	\$.02 (2) \$
=====	=====	=====	=====

Notes:

(1) This calculation is submitted in accordance with Regulation S-K Item 601(b)(11) although not required by footnote 2 to paragraph 14 of APB Opinion No. 15 because it results in dilution of less than 3%.

(2) This calculation is submitted in accordance with Regulation S-K Item 601(b)(11) although it is contrary to either paragraph 30 or 40 of APB Opinion No. 15 because the assumed exercise of stock options and/or the assumed conversion of the 7 1/4% Convertible Subordinated Debentures produce an antidilutive result.

CONSOLIDATED NATURAL GAS COMPANY AND SUBSIDIARIES  
 RATIO OF EARNINGS TO FIXED CHARGES  
 (Thousands of Dollars)

Twelve Months to September 30	1996
<b>Earnings:</b>	
Net income.....	\$297,766
Add income taxes.....	154,249
Income before income taxes.....	<u>452,015</u>
Distributed income from unconsolidated investees, less equity in earnings thereof.....	6,793
Subtotal.....	<u>458,808</u>
<b>Add fixed charges:</b>	
Interest on long-term debt, including amortization of debt discount and expense less premium.....	98,875
Other interest expense.....	9,370
Portion of rentals deemed to be representative of the interest factor.....	10,095
Fixed charges associated with 50% projects with debt....	1,623
<b>TOTAL FIXED CHARGES.....</b>	<u>119,963</u>
<b>TOTAL EARNINGS.....</b>	<u>\$578,771</u>
	=====
<b>RATIO OF EARNINGS TO FIXED CHARGES.....</b>	4.82
	=====

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS INCLUDED IN ITEM 1 OF CONSOLIDATED NATURAL GAS COMPANY'S QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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CNG

RE: CNG Retail Services Corporation  
 Application to Render Electric Generation Services to the Public as  
 Required by the Pennsylvania Public Utility Commission

Major Insurance Coverage Types and Limits

Coverages

Limit

*Onshore Property*

At least \$100 million per occurrence.

All risk property coverage for any direct physical loss or damage for replacement cost value of all owned or leased "objects" of the insured. Includes boiler and machinery breakdown.

*Automobile Liability*

\$1 million combined single limit per occurrence.

Policy insures the liability of CNG Retail Services and persons driving with permission for all sums they become legally obligated to pay for bodily injury and property damage caused by an accident arising out of the ownership, maintenance or use of any owned, nonowned, or hired automobile. The company does not purchase physical damage insurance for owned or leased vehicles.

*Miscellaneous General Liability*

\$500,000 each occurrence.

Provides certain miscellaneous liability coverages to include company outings and special events, liquor liability, incidental malpractice, first aid, personal injury liability, company owned/leased apartment and elevator inspections.

*Excess Liability*

At least \$200 million each occurrence.

Policy insures CNG Retail Services for third party liabilities arising out of bodily injury, personal injury or property damage in excess of various underlying limits. Excess liability coverage includes contractual liability, pollution liability, employment practices, etc. Coverage is written on a claims first made basis.

*Directors & Officers Liability*

At least \$60 million each loss each policy year.

The policy provides coverage for liability and defense costs which may arise from wrongful acts which the policy defines as any error, misstatement or misleading statement, act or omission or neglect or breach of duty committed, attempted or allegedly committed or attempted. Only wrongful acts committed in good faith are covered. The policy contains two insuring agreements, the first covers individuals in their respective capacities as Directors and Officers of CNG and its subsidiaries. The second covers the corporation (including subsidiaries) but only to the extent it has agreed to indemnify individual Directors and Officers.

Coverage is written on a claims first made basis.

*Fiduciary Liability*

At least \$25 million each loss each policy year.

This policy affords errors and omissions insurance for CNG Retail Services' Directors, Officers and employees who are fiduciaries of an employee benefit plan as defined by and under the provisions of the Employee Retirement Income Security Act of 1974 against certain liabilities and defense costs for which they might be held liable under the Act. Coverage is written on a claims first made basis.

*Blanket Crime*

At least \$25 million each loss each policy year.

Coverage for destruction or theft of money and securities from or within a company office or bank including computer theft, dishonesty of company directors, officers or employees, forgery or alteration of any check, draft or similar written promise that results in a company loss. Coverage is written on a claims first made basis.

*Workers Compensation  
Employer's Liability*

Statutory  
\$1 million each accident

States of PA, NY, GA, OR and CA

The policy insures the liability of the insured under the workers compensation laws of the various states and from damages under the common law. Benefits paid are specified in the state workers compensation law.

States of WV and OH are insured through the state fund for that respective state. Benefits are prescribed by the state workers compensation law.

Please be advised various exclusions apply to all of the coverages mentioned above.

Provide the name, title, address, telephone number and FAX number of Applicant's custodian for its accounting records.

Robert M. Sable  
Treasurer  
CNG Retail Services Corporation  
625 Liberty Avenue  
Pittsburgh, PA 15222  
Telephone: (412) 227-1117  
Fax: (412) 456-7601

25. **TECHNICAL FITNESS:** To ensure that the present quality and availability of service provided by electric utilities does not deteriorate, the Applicant shall provide sufficient information to demonstrate technical fitness commensurate with the service proposed to be provided. Examples of such information which may be submitted include the following:

The identity of the Applicant's officers directly responsible for operations, including names and their professional resumes.

General information concerning the energy sources to be employed by the Applicant in providing services.

Documentation of membership in ECAR, MAAC or other regional reliability councils.

An affidavit stating that you will adhere to the reliability protocols of the North American Electric Reliability Council, the appropriate regional reliability council(s), and the Commission, and that you agree to comply with the operational requirements of the control area(s) within which you provide retail service.

Refer to Applicant's response to Question 24 B. and refer to Exhibit G.

**CNG RETAIL SERVICE CORPORATION  
STATEMENT OF QUALIFICATIONS**

CNG Retail Services Corporation (CNG Retail) is a wholly-owned subsidiary of CNG Energy Services Corporation, and one of 14 affiliates of Consolidated Natural Gas Company (CNG) currently conducting energy-related and other businesses in Pennsylvania. CNG Retail was incorporated in January, 1997 for the initial purpose of offering consumer services, including electric supply and electric supply generation to individual consumers. In Pennsylvania, CNG Retail proposes to offer such services using the registered fictitious name of "Peoples Energy."

CNG Retail plans to purchase energy through CNG Energy Services Corporation, whose qualifications follow.

**CNG ENERGY SERVICES CORPORATION  
STATEMENT OF QUALIFICATIONS**

CNG Energy Services Corporation (CNGESC) is a wholly-owned subsidiary of the Consolidated Natural Gas Company (CNG) which was formed to compete in the unregulated wholesale energy marketplace. CNGESC, through the Company's power marketing arm known as CNG Power Services Corporation, provides electric power marketing. CNGESC sells over 1.5 Bcf per day of gas to large industrials and local utilities and controls over 9 Bcf of storage. CNGESC began marketing power, mostly in the Northeast, in January of 1995, quickly growing to be the fourth largest electric power marketer in the nation in 1995 with nearly 2 million megawatt hours (MWh) of sales. Sales volumes for 1996 are expected to exceed 5 million MWh.

CNGESC, based in Pittsburgh, Pennsylvania, has expanded its presence beyond the Northeastern U.S. becoming a continental energy company. It is a member of the Western Systems Power Pool and has regional offices in Portland, Oregon and Orinda, California to serve the needs of customers in the west. CNGESC also has a regional office in Atlanta, Georgia to serve Mid-Atlantic and Southeastern customers and a regional office in Pittsburgh to serve customers in the Midwest, East and Northeast. A 24-hour electric trading and scheduling operation is located at Energy Services' headquarters in Pittsburgh, to manage the company's growing presence in the electric power marketing business. With a staff of more than 20 power marketing people, CNGESC has a highly skilled and effective energy risk management and trading operation that is dedicated to helping our customers achieve their goals. CNGESC provides a full array of risk management and trading products and services for both power and natural gas. These services include commodity futures, fixed pricing, hedging, collars, options, basis swaps, and arbitrage. CNGESC was one of the first participants in the New York Merchantile Exchange (NYMEX) trading of electricity futures contracts and the Kansas City Board of Trade (KCBOT) trading of gas futures contracts.

CNGESC's sister company, CNG Power Company (CNG Power), also a wholly-owned subsidiary of CNG, was formed in 1982 to specialize in the business of developing, permitting, financing, and owning cogeneration and independent power facilities. Currently, CNG Power is the sole or part owner of seven operating, gas-fired cogeneration facilities (including three projects located in California) with a combined gross capacity of 440 MW. In addition, CNG subsidiaries currently provide gas supply and/or transportation to 27 operating power generation facilities in the U.S., representing over 3,000 MW of capacity and using in excess of 250 Million Cubic Feet of gas per day (MMCF per day).

CNGESC and CNG Power have the financial backing of its parent, Consolidated Natural Gas Company (CNG), which has a AA- credit rating from Standard & Poor's. CNG is one of the nation's largest integrated gas companies which supplies approximately 6 percent of the total U.S. natural gas requirements. CNG is the parent company of natural gas distribution companies in Pennsylvania, Ohio, West Virginia, and Virginia and of CNG Transmission Corporation (CNGT), a major interstate pipeline company serving a large area of New York State and smaller areas of Pennsylvania, Ohio, West Virginia, Virginia, the District of Columbia, North Carolina, and New Jersey.

CNG subsidiaries own and operate North America's largest underground natural gas storage system and have substantial gas production operations in the Gulf of Mexico, the Southwest, and Appalachia. With this flexibility in accessing various supplies, along with its storage service capability, CNG is able to provide low-cost and high availability gas to cogeneration and independent power facilities.

26. **UNIFORM STANDARDS OF CONDUCT AND DISCLOSURE:** As a condition of receiving a license, Applicant agrees to conform to any Uniform Standards of Conduct and Disclosure as set forth by the Commission.

27. **REPORTING REQUIREMENTS:** Applicant agrees to provide the following information to the Commission or the Department of Revenue, as appropriate:

- a. Reports of Gross Receipts: Applicant shall report its Pennsylvania intrastate gross receipts to the Commission on a quarterly and year to date basis no later than 30 days following the end of the quarter.
- b. The Treasurer or other appropriate officer of Applicant shall transmit to the Department of Revenue by March 15, an annual report, and under oath or affirmation, of the amount of gross receipts received by Applicant during the prior calendar year.
- c. Applicant shall report to the Commission the following information on an annual basis:

the percentages of total electricity supplied by each fuel source

**Applicant will be required to meet periodic reporting requirements as may be issued by the Commission to fulfill the Commission's duty under Chapter 28 pertaining to reliability and to inform the Governor and Legislature of the progress of the transition to a fully competitive electric market.**

28. **FEE:** The Applicant has enclosed the required initial licensing fee of \$350.

Applicant: CNG Retail Services Corp.

By: Alu R. Warr

Title: Vice President, Mass Marketing

VERIFICATION

Commonwealth of Pennsylvania :  
:  
:  
County of Allegheny :

ss.

Glen R. Waisner, Affiant, being duly [sworn/affirmed] according to law, deposes and says that:

He is the Vice President of CNG Retail Services Corporation;

That he is authorized to and does make this affidavit for said corporation;

That the facts above set forth are true and correct to the best of his knowledge, information, and belief and that he expects said Applicant to be able to prove the same at any hearing hereof.

*Glen R. Waisner*  
Signature of Affiant

Sworn and subscribed before me this 13<sup>th</sup> day of March, 1997.

*Diana L. Mroz*  
Signature of official administering oath

My commission expires February 2, 1998

Notarial Seal  
Diana L. Mroz, Notary Public  
Pittsburgh, Allegheny County  
My Commission Expires Feb. 2, 1998  
Member, Pennsylvania Association of Notaries

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Application of CNG Retail Services Corporation was delivered to the following by first-class United States mail, postage prepaid, on the 13<sup>th</sup> day of March, 1997:

Irwin A. Popowsky  
Consumer Advocate  
1425 Strawberry Square  
Harrisburg, PA 17120

Bernard A. Ryan, Jr.  
Commerce Building, Suite 1102  
Small Business Advocate  
300 North Second Street  
Harrisburg, PA 17101

Office of the Attorney General  
Bureau of Consumer Protection  
Strawberry Square, 14th Floor  
Harrisburg, PA 17120

Date:

3/13/97

  
Attorney for CNG Retail Services Corporation