

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF:

THE APPLICATION OF COLUMBIA GAS OF)
KENTUCKY, INC. TO IMPLEMENT A NEW)
SMALL VOLUME GAS TRANSPORTATION)
SERVICE, A GAS PRICE HEDGING PLAN, AN)
OFF-SYSTEM SALES AND CAPACITY RELEASE)
REVENUE SHARING MECHANISM, AND A GAS)
INCENTIVE MECHANISM)

Case No. 2004-00462

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PUBLIC SERVICE
COMMISSION

COMMENTS OF INTERSTATE GAS SUPPLY, INC.

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COMMENTS OF INTERSTATE GAS SUPPLY, INC.

Now comes Interstate Gas Supply, Inc. (“IGS”), by counsel, and pursuant to the Commission’s February 4, 2005, order in the above-captioned case, provides comments concerning Columbia Gas of Kentucky, Inc.’s (“Columbia”) November 30, 2004, application for approval of a new pilot small volume transportation program (“Choice program”).¹

IGS respectfully requests the Commission to expeditiously approve the proposed, new Choice program. As the Commission is aware, *Columbia’s current Choice program*, approved in Case No. 1999-00165, *is scheduled to expire at the end of March 2005, in approximately six (6) weeks*. Therefore, the real and unfortunate consequence of not having a replacement program in place by then will be that tens of thousands of Choice Program customers will be dislocated back to Columbia’s sales service. This massive dislocation will reduce shopping levels to zero, destroying the competitive marketplace in Columbia’s territory. It has taken years of very costly educational and marketing efforts by IGS for it to encourage shopping and develop its customer

¹ IGS has been granted full intervenor status in this case, as well as Columbia’s current Choice program case, Case No. 1999-00165.

base, which in turn has developed the competitive marketplace on Columbia's system. Clearly, the educational effort associated with the continuation of a Choice program would indeed be slight in comparison to the cost and effort to restart the market and to alleviate the confusion and lack of confidence that the interruption of the marketplace will provoke. As IGS has demonstrated with regard to the current Choice Program, Kentucky consumers have significantly benefited by shopping and they strongly desire the benefits associated with the competitive Choice Program.² The Commission's expeditious approval is, therefore, necessary to preserve this marketplace and its many attendant benefits that customers desire.

Indeed, if the Choice Program were approved today, tens of thousands of residential and small commercial customers would be able to capture and lock-in significant savings due to current, favorable conditions in the natural gas commodity marketplace. The warmer-than-normal conditions have caused futures prices to plummet, which has created excellent conditions for customers to lock-in prices and savings for next winter. Historically, such conditions in February allow for fixed prices that typically result in significant savings through the next winter heating season. If the Commission were to expeditiously approve the proposed program, IGS may yet be able to make attractive offers to customers.

The record demonstrates that the Choice program is beneficial to consumers and Kentucky's economy,³ and thus, IGS believes that the Commission should install a permanent Choice program. In the interim, however, the Commission's approval of this proposed pilot Choice program will continue to allow more Kentucky consumers to take advantage of the benefits and opportunities of competitively purchasing their natural gas commodity needs. Therefore, for the reasons discussed above, IGS respectfully requests that the Commission

² See Case No. 1999-00165

³ See *id.*

expeditiously approve Columbia's November 30, 2004, application for approval of a new pilot small volume transportation program.

Respectfully submitted,



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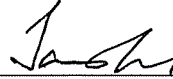
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Comments of Interstate Gas Supply, Inc. was mailed, postage prepaid, on February 14, 2005, to the below listed persons.



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