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TO: Hon **Anita Mitchell/Filing Division** **Fax #: (502) 564-3460**

FROM: Matthew R. Malone DATE. July 29, 2010

RE: **INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUEST OF AARP, COMMISSION STAFF, DUKE ENERGY**

Number of pages including this cover page:

Comments:

Please see the attached.

Should you have any questions, please do not hesitate to call.

Thank you!

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of: : CASE NO. 2010-00146

AN INVESTIGATION OF NATURAL :
GAS RETAIL COMPETITION PROGRAMS :

INTERSTATE GAS SUPPLY, INC.'S, SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S MOTION TO FILE DATA REQUEST RESPONSE EXHIBITS OUT OF TIME

Comes Interstate Gas Supply, Inc. ("IGS"), SouthStar Energy Services, LLC ("SouthStar") and Vectren Retail, LLC d/b/a Vectren Source ("Vectren"), individually, and hereinafter, collectively ("RGS"), and request until the morning of July 30, 2010 to file their data request response exhibits out of time.

RGS are required to file and serve data requests responses on July 29, 2010, with the Commission pursuant to previous procedural order in the above-referenced matter. RGS completed the substantive data request responses and filed same, however, given the cumbersome nature of some of response filings and specifically the exhibits associated with same, counsel had delay in compiling the pleadings with the exhibits.

Wherefore, RGS, IGS, SouthStar and Vectren, individually and collectively, respectfully request until the morning of Friday, July 30, 2010 to file the Exhibits associated with RGS data request responses out of time.

Respectfully submitted,

HURT, CROSBIE & MAY PLLC

William H. May, III
Matthew R. Malone
The Equus Building
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Lexington, Kentucky 40507
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Counsel for the Marketers,
INTERSTATE GAS SUPPLY, INC.
SOUTHSTAR ENERGY SERVICES, LLC
and
VECTREN RETAIL, LLC D/B/A
VECTREN SOURCE

CERTIFICATE OF SERVICE

I hereby certify that an original of this Motion were served via facsimile upon Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40602-0615 and Hon. Anita Mitchell; furthermore, it was served by mailing a copy by first class U.S. Mail, postage prepaid, on the following, all on this 29th day of July, 2010.

Lonnie E Bellar
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220 W. Main Street
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Liz D. Edmondson, Esq.
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MATTHEW R. MALONE

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Jennifer S. Scutchfield *

* Of Counsel

RECEIVED
JUL 29 2010
PUBLIC SERVICE
COMMISSION

July 29, 2010

Via Hand-Delivery
Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

RE: *Case No. 2010-00146; An Investigation of Natural Gas Retail Competition Programs*

Dear Mr. Derouen:

Please find enclosed the original and twelve (12) copies of Interstate Gas Supply Inc.'s, SouthStar Energy Services, LLC's and Vectren Source's collective data request responses to Duke Energy.

Please place the document of file.

Regards,

Matthew Malone

C: File; Parties

COMMONWEALTH OF KENTUCKY

BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF NATURAL GAS	)	
RETAIL COMPETITION PROGRAMS	)	CASE NO.2010-00146

INTERSTATE GAS SUPPLY, INC.'S, SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S INITIAL DATA REQUEST RESPONSES TO DUKE ENERGY

FILED: July 29, 2010

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In re the Matter of:

AN INVESTIGATION OF NATURAL GAS)
RETAIL COMPETITION PROGRAMS) CASE NO. 2010-00146
)
)

VERIFICATION OF GREGORY F. COLLINS

Comes the undersigned, Gregory F. Collins, being duly sworn, deposes and states that he is President of Vectren Retail, LLC. d/b/a Vectren Source, that he has read the foregoing responses and exhibits and knows the matters contained therein; that said matters are true and correct to the best of his knowledge and belief.

Gregory F. Collins

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF FAYETTE)

Subscribed and sworn to me this 29th day of July, 2010, by Gregory F. Collins.

Notary Public

My Commission Expires: 11/21/2011

COMMONWEALTH OF KENTUCKY

BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF NATURAL GAS)
RETAIL COMPETITION PROGRAMS) CASE NO.2010-00146

INTERSTATE GAS SUPPLY, INC.'S, SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S CERTIFICATE OF SERVICE REGARDING DATA REQUEST RESPONSES TO DUKE ENERGY

Comes now Interstate Gas Supply, Inc., Southstar Energy Services, LLC and Vectren Source, individually, and collectively, by counsel, and hereby certify that an original and twelve (12) copies of the attached data request responses to Duke Energy were served via hand-delivery upon Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40602-0615; furthermore, it was served by mailing a copy by first class US Mail, postage prepaid, on the following, on this 29th day of July 2010:

Lonnie E Bellar
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P. 0. Box 32010
Louisville, KY 40202

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Respectfully submitted,

William H. May, III
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Counsel for,
INTERSTATE GAS SUPPLY, INC.
SOUTHSTAR ENERGY SERVICES, LLC
and
VECTREN RETAIL, LLC D/B/A
VECTREN SOURCE

PSC Case No. 2010-00146
Duke Energy DR No. 001
Respondent: Greg Collins

INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUESTS OF DUKE ENERGY

Request for Information 1

Please provide copies of any and all studies, analysis, reports, or articles including work papers, authored by Suppliers Witness Gregory Collins regarding gas retail choice for the last five years.

Response:

Witness Collins has not authored any studies, reports or articles regarding gas retail choice in last five years.

PSC Case No. 2010-00146
Duke Energy DR No. 002
Respondent: Greg Collins

INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUESTS OF DUKE ENERGY

Request for Information 2

Please identify and produce any study or analysis, including work papers, to support Mr. Collins' claims regarding competition, as described on lines 8 through 20, on page 3 of Mr. Collins' testimony.

Response:

Attached are the following:

2004 NY Commission Order directing the utilities to take a number of steps to improve choice (Exhibit A);

2008 PA Order from the Commission stating that the Market in PA for residential customers was not sufficiently competitive, and directing a number of changes be made to better structure the market so that competition could exist (Exhibit B);

2006 Testimony of Dr. Robert Lawson in the DEO exit case, wherein he details what elements need to be present to allow competition to work (Exhibit C);

Staff reports in the DEO and COH auction cases suggesting the commission accept the results of the auction as being good results, concentrating on these specific reports as they provide detail in comparing the GCR to the Auction results (Exhibit D); and

2008 EIA report on Choice (Exhibit E).

PSC Case No. 2010-00146
Duke Energy DR No. 003
Respondent: Greg Collins

INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUESTS OF DUKE ENERGY

Request for Information 3

Referring to the answering beginning on page 5, line 20, through 8 of Mr. Collins' testimony, identify and produce the information supporting Mr. Collins' claim that these circumstances "often" or "typically" occur.

Response:

It has been Mr. Collins' experience that as utilities unbundle and open their markets for choice, one of the primary issues that has to be addressed is identifying the mechanisms that have been historically used by the utilities to recover capacity and storage costs, hedging costs and related costs. Many of these costs, which in a choice environment are appropriately recovered through a commodity mechanism, have been included in the utilities' base rates.. This was the case in all four Ohio utility territories prior to unbundling. This situation also existed at Northern Indiana Public Service, Atlanta Gas Light and at least two of the New York utilities with which Mr. Collins is familiar.

PSC Case No. 2010-00146
Duke Energy DR No. 004
Respondent: Greg Collins

INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUESTS OF DUKE ENERGY

Request for Information 4

Referring to the answer that begins on page 8, line 19 of Mr. Collins' testimony, has Mr. Collins performed any study or analysis, or authored any reports that discuss and evaluate his "alternative methods" for addressing what he describes as a mismatch and/or compare such "alternative methods" with other approaches? If the response is in the affirmative, please provide such studies, reports or analysis, including all work papers. If the response is in the negative, on what basis does Mr. Collins contend that such methods are "reasonable"?

Response:

No, Witness Collins has not performed any studies or authored any reports regarding "alternative methods". However, Witness Collins contends that the "alternative methods" described in his testimony are "reasonable" on the basis that they provide options and solutions to possible disparate treatment between shopping and non-shopping customers while at the same time promoting a vibrant competitive market benefiting all customers and minimizing the potential for the utility to have stranded assets. Witness Collins also directs Duke Energy to the documents previously attached to Duke Energy's DR No. 2 in this data request.

PSC Case No. 2010-00146
Duke Energy DR No. 005
Respondent: Greg Collins

INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUESTS OF DUKE ENERGY

Request for Information 5

Referring to the answer that begins on page 10, line 3 of Mr. Collins' testimony, has Mr. Collins performed any study or analysis, or authored any reports that discuss and evaluate consolidated billing and the purchase of receivables with dual billing or consolidated bill without the purchased of receivables or that discuss and evaluate reasonable and appropriate discount rates for the purchase of the receivables by regulated utilities? If the response is affirmative, please provide such studies, reports or analysis, including all work papers. If the response is in the negative, on what basis does Mr. Collins contend that such methods are beneficial?

Response:

No, Witness Collins has not performed any studies or authored any reports regarding "consolidated billing". Based on experience, Mr. Collins believes that utility consolidated billing coupled with a purchase of receivables (POR) program provides the most benefits to all parties in a choice environment. First, customers want a single bill. The hassle factor associated with paying two bills is a deterrent to participation. Second, utilities already have well developed billing and collection processes for which customers are already paying. Duplication of billing, mailing, payment processing and receivables management systems is economically inefficient.

It is Mr. Collins understanding that it is more expensive for a utility to design a system that does not include POR, compared to one that does include POR. The processes required to track receipts in multiple ledgers, so that it can appropriately account for its revenues separately from the multiple suppliers and make proper disbursements are more complex than those required to support a POR program where all of the dollars are simply owed and paid to the utility.

Further, adoption of a POR programs eliminates the need for suppliers to assess the creditworthiness of individual customers – thus enabling suppliers to offer service to all customers, including low income residents.

Finally, the LDC is in sole possession of the ability to disconnect service for non-payment of bills.

Witness Collins also directs Duke Energy to the documents in response to Duke Energy's DR No. 2 in this data request.

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Jennifer S. Scutchfield *

* Of Counsel

July 29, 2010

RECEIVED
JUL 29 2010
PUBLIC SERVICE
COMMISSION

Via Hand-Delivery
Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

RE. *Case No. 2010-00146; An Investigation of Natural Gas Retail Competition Programs*

Dear Mr. Derouen:

Please find enclosed the original and twelve (12) copies of Interstate Gas Supply Inc.'s, SouthStar Energy Services, LLC's and Vectren Source's collective data request responses to AARP.

Please place the document of file.

Regards,

Matthew Malone

C: File; Parties

COMMONWEALTH OF KENTUCKY

BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

In the Matter of

AN INVESTIGATION OF NATURAL GAS)
RETAIL COMPETITION PROGRAMS) CASE NO.2010-00146

**INTERSTATE GAS SUPPLY, INC.'S,
SOUTHSTAR ENERGY SERVICES, LLC'S AND
VECTREN SOURCE'S
INITIAL DATA REQUEST RESPONSES TO
THE AARP**

FILED: July 29, 2010

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In re the Matter of:

AN INVESTIGATION OF NATURAL GAS	)	
RETAIL COMPETITION PROGRAMS	)	CASE NO. 2010-00146
	)	
	)	

VERIFICATION OF GREGORY F. COLLINS

Comes the undersigned, Gregory F. Collins, being duly sworn, deposes and states that he is President of Vectren Retail, LLC. d/b/a Vectren Source, that he has read the foregoing responses and exhibits and knows the matters contained therein; that said matters are true and correct to the best of his knowledge and belief.

Gregory F. Collins

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF FAYETTE)

Subscribed and sworn to me this 29th day of July, 2010, by Gregory F. Collins.

Notary Public

My Commission Expires: 11/21/2011

COMMONWEALTH OF KENTUCKY

BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF NATURAL GAS	)	
RETAIL COMPETITION PROGRAMS	)	CASE NO.2010-00146

INTERSTATE GAS SUPPLY, INC.'S, SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S CERTIFICATE OF SERVICE REGARDING DATA REQUEST RESPONSES TO AARP

Comes now Interstate Gas Supply, Inc., Southstar Energy Services, LLC and Vectren Source, individually, and collectively, by counsel, and hereby certify that an original and twelve (12) copies of the attached data request responses to AARP were served via hand-delivery upon Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40602-0615; furthermore, it was served by mailing a copy by first class US Mail, postage prepaid, on the following, on this 29th day of July 2010:

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Respectfully submitted,

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Counsel for,
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SOUTHSTAR ENERGY SERVICES, LLC
and
VECTREN RETAIL, LLC D/B/A
VECTREN SOURCE

PSC Case No. 2010-00146
AARP DR No. 001
Respondent: Greg Collins

INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUEST OF AARP

Request for Information 1

For Mr. Collins, with respect to your testimony at p 2, is it your testimony that only through retail competition is it possible to offer gas consumers in Kentucky price transparency, timely price signals, and information on which they can make consumptions decisions? If so, why?

Response:

Absent a fundamental change in traditional regulated pricing paradigms which include prior period true-ups and estimated gas costs, competition provides the truest price transparency and most timely price signals of which I am aware.

PSC Case No. 2010-00146
AARP DR No. 002
Respondent: Matthew Malone, Esq. (as to objection)

INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUEST OF AARP

Request for Information 2

For Mr. Collins, with respect to your testimony at p. 2, how many retail gas customers (whether from competitive suppliers or from monopoly utilities) were there in the United States at the time that 5,100,000 such customers had access to competitive suppliers?

Response:

Objection. This question calls for information not possessed by the witness. Witness Collins referred to the U.S. Energy Information Administration as support for his statement listed on page 2 of his testimony which referred to 35 million residential natural gas customers having access to choice in 2009 and 5,100,000 were enrolled in Choice rather than had access to competitive suppliers. The AARP's request for the total number of natural gas customers with or without access to choice in the United States at that time is requesting information that the witness does not possess.

PSC Case No. 2010-00146
AARP DR No. 003
Respondent: Greg Collins
Matthew Malone, Esq. (as to objection)

INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUEST OF AARP

Request for Information 3

For Mr. Collins, with respect to your testimony at p. 2-3, is it your testimony that there are no normative standards for success of choice of retail gas suppliers beyond perceptions of customer satisfaction? For example, if customers are satisfied but the underlying industry structure contains weaknesses that could ultimately lead to higher prices or less reliable supply, is it good public policy to require an industry structure that has this result?

Response:

With respect to Witness Collins testimony, no, it is not his testimony that the success of choice retail gas suppliers lacks normative standards.

With respect to the second question, specifically, the hypothetical posed by AARP, IGS, SouthStar and Vectren object based upon this question being argumentative and speculative. This question poses a hypothetical upon which Mr Collins is requested to speculate based upon an argumentative assumption as to the conclusion.

PSC Case No. 2010-00146
AARP DR No. 004
Respondent: Greg Collins

INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUEST OF AARP

Request for Information 4

For Mr. Collins, with respect to your testimony at p. 3, please provide any analyses or other evidence to support your testimony that the benefits of competition are maximized when the market is most dynamic, and that market dynamism is manifested by criteria including the number of competitive suppliers in the market, the number of product options available in the market, the number of customers who migrate from utility sales service to competitive supply service, and the minimization of barriers to supplier market entry.

Response:

At the outset, this Request mischaracterizes a number of elements in Mr. Collins' testimony at p. 3, specifically it asserts that Mr. Collins' testimony implies that a dynamic market is demonstrated by a larger number of competitors, products and the number of customers that have migrated to competitive service, when in fact Mr. Collins' testimony asserts that if a properly structured market exists, with limited or low barriers to entry, it is more likely rather than less likely that suppliers will be present, typically in greater numbers than in an improperly structured market with higher barriers to entry, and that offers will be more numerous, dynamic and available. For instance, if a market structure is one of a pilot in nature, with relatively short windows of certainty, it is less likely that new entrants will explore the market, and those in the market will be less likely to put offers into the market due to the uncertainty of continued viability. With higher and greater barriers to entry, less competition will exist and that which does exist will be less dynamic.

Likewise, attached are several documents, including testimony by Dr. Robert Lawson filed in the Dominion East Ohio Merchant Function exit case, as well as the Staff reports to the Public Utility Commission of Ohio in the DEO and COH SSO and SCO auctions delineating the lower competitive price as compared to the regulated monopoly GCR.

PSC Case No. 2010-00146
AARP DR No. 005
Respondent: Greg Collins
Matthew Malone, Esq. as to Legal Objection

INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUEST OF AARP

Request for Information 5

For Mr. Collins, with respect to your testimony at p. 6, is it your testimony that there are no incremental costs for a utility to bill and collect for itself and multiple competitive suppliers over the costs of the utility billing and collecting for itself alone?

Response:

Objection. The question posed is unclear and ambiguous. No testimony is offered at page 6 which addresses either directly or indirectly the issue of incremental billing costs. With that caveat, there may be incremental costs attributable to system development to accommodate the exchange of electronic data. Once constructed, it is unclear as to whether continuing incremental costs would be incurred.

PSC Case No. 2010-00146
AARP DR No. 006
Respondent: Greg Collins

INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUEST OF AARP

Request for Information 6

For Mr. Collins, please define the term "human needs customers" as you use it in your testimony, for example at p. 7.

Response:

I intend the term "human needs customers" to mean those customers whose health and safety are fundamentally reliant on delivery of natural gas for heating purposes. Examples of human needs customers are residential customers or commercial locations which possess fundamental similarity to residential locations such as nursing homes, assisted living centers, hospitals, and hotels.

PSC Case No. 2010-00146
AARP. DR No. 007
Respondent: Greg Collins

INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUEST OF AARP

Request for Information 7

For Mr. Collins, with respect to your testimony at pp. 6-7, is it your testimony that the 85% of customers who have access to gas supplier choice but have not chosen competitive gas supply are human needs customers? Is it your testimony that none or only a small portion of the 15% of customers with supply choice who have used competitive suppliers are human needs customers? If not, please clarify your statement at p 7, lines 2 to 3, with the portion of shoppers and non-shoppers that are human needs customers.

Response:

Given the definition of "human needs customers" provided above and the characterization of the migration in the testimony referred to in this question as "residential natural gas customers", the migration data should be considered to apply to human needs customers.

PSC Case No. 2010-00146
AARP DR No. 008
Respondent: Greg Collins
Matthew Malone, Esq. as to legal objection

INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUEST OF AARP

Request for Information 8

For Mr. Collins, with respect to your testimony at p. 10, starting at line 11, please identify each utility with a choice program in which the utility renders a consolidated bill for both utility distribution services and supplier commodity charges, state whether the utility purchases the suppliers' receivables, and state the terms and conditions of recourse by the utility to the supplier for shortfalls in recovery of such receivables.

Response:

Objection. This request is overly broad and would require Mr. Collins to engage in research that AARP could as easily engage in using its own resources and as such, Mr. Collins is not required to conduct such research.

Without waiving the objection, to the best of Mr. Collins knowledge, the following programs have, or recently approved, consolidated billing and purchase of receivables programs (as the terms and conditions of recourse vary from utility to utility and state to state, Mr. Collins does not have a matrix or study that would provide a response to the last part of the request, but Mr. Collins would point to the individual programs and utilities and direct AARP to request of the utility copies of the applicable tariff provisions, as well as copies of the generic billing agreements).

(UCB means" Utility Consolidated Billing", POR, "Purchase of Receivables" affirmative response means the utility has it or has it approved and is working on implementation (with appropriate note thereof)).

UTILITY	UCB(yes or no)	POR (yes or no)
Ohio:		
Dominion East Ohio	yes	yes
Vectren Energy Delivery	yes	yes
Duke Energy-Ohio	yes	yes
Columbia Gas of Ohio	yes	yes
Michigan:		
Michigan Consolidated (MichCon)	yes	yes
Consumers Energy	yes	yes

Indiana:		
Northern Indiana PSC	yes	yes
Pennsylvania:		
Columbia Gas of PA	yes	yes
Dominion/Peoples	yes	no
National Fuel PA	yes	yes (summer 2010)
PPL (electric)	yes	yes
Equitable	yes	no
New York:		
Central Hudson	yes	yes
National Fuel NY	yes	yes
NIMO (National Grid)	yes	yes
Consolidated Edison (ConEd)	yes	yes
Orange & Rockland	yes	yes
Keyspan	yes	yes
Illinois:		
Ameren (electric)	yes	yes
Commonwealth Edison (electric)	yes	in process
Nicor Gas	yes	no
Peoples/Northshore	yes	no
Kentucky:		
Columbia Gas of KY	yes	yes
Maryland:		
Baltimore Gas & Electric	yes (developing 2010)	yes (developing 2010)
Washington Gas & Electric	yes (developing 2010-11)	yes (developing 2010-11)
Columbia Gas of MD	pending Commission approval POR UCB	

PSC Case No. 2010-00146
AARP DR No. 009
Respondent: Greg Collins
Matthew Malone, Esq. as to Legal Objection

INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUEST OF AARP

Request for Information 9

For Mr. Collins, with respect to your testimony at p. 11, please provide the costs or the range of costs (stated in nominal terms and by per-therm or per-customer cost) for suppliers to build and operate a duplicative receivables management capability. If a range is provided, please explain the factors that determine where on the range given supplier would fall.

Response:

Objection. The question calls for conjecture and speculation. Likewise, costs associated with the construction and implementation of a receivables management capability are different for any supplier. Furthermore, the largest portion of the potential costs associated with an accounts receivable system do not correlate to a "per-customer" cost. Without waiving this objection or caveats, Witness Collins submits that basic start-up costs for establishing a receivables management system in any given market can exceed $500,000 and, depending on system complexity, can exceed $1,000,000.

PSC Case No. 2010-00146
AARP DR No. 010
Respondent: Greg Collins

INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUEST OF AARP

Request for Information 10

For Mr. Collins, with respect to your testimony at p. 12, please explain how regulatory risk associated with utility costs recovery can be minimized or eliminated to varying degrees depending on customer choice participation levels.

Response:

Capital costs associated with the utility putting gas into storage are diminished as customers migrate to competitive suppliers who as a result of the supply obligation become responsible for purchasing and storing that natural gas. Thus, the utility is relieved of that capital requirement, expenditure, and ultimately the risk associated with such investment and expenditure. Further, a utility is subject to hindsight review regarding its procurement decisions, so the greater the volume of natural gas for which it is responsible, the greater the cost and thus the risk posed by potential disallowance should the procurement decisions be determined unreasonable or imprudent. Also, as customers migrate to competitive supply service several utilities have seen the wisdom in reducing or completely eliminating all of the risk associated with hindsight review of commodity expenditures, and have requested and been granted exemptions from such hindsight reviews in exchange for replacing traditional GCR commodity procurement and pricing with competitively procured commodity. Examples of this exist on the Vectren Energy Delivery of Ohio system, Dominion East Ohio system, Columbia Gas of Ohio system, and in Georgia, Atlanta Gas and Light. All have eliminated the regulatory risk associated with utility cost recovery mechanisms, and are no longer subject to Management and Performance Audits and commodity hindsight audits.

PSC Case No. 2010-00146
Columbia Gas of Kentucky, Inc. DR No. 011
Respondent: Greg Collins

INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUEST OF AARP

Request for Information 11

For Mr. Collins, with respect to your testimony at p. 13, please identify each and every utility and jurisdiction that has in place reasonable standards with respect to customer interaction, enrollment and contracting, and identify the standards in place for each utility or jurisdiction.

Response:

While interested parties may differ in their assessment of reasonableness, the standards promulgated by the Public Utilities Commission of Ohio pursuant to Ohio Administrative Code are exemplary in that they have proven to be effective in promoting consumer protection without unduly impeding the continued development of the competitive market in the State. Those rules are contained in the Ohio Administrative Code at Section 4901:1-29 Minimum Standards for Competitive Retail Natural Gas Service.

PSC Case No. 2010-00146
Columbia Gas of Kentucky, Inc. DR No. 012
Respondent: Greg Collins

INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUEST OF AARP

Request for Information 12

To the extent that the testimony filed on behalf of Intestate Gas Supply, Inc., Southstar Energy Services, LLC and Vectren Source includes calculations of savings that any of your businesses have provided to customers over the costs they would otherwise have paid under regulated utility gas services, please provide all workpapers of each such calculation or estimate, in executable spreadsheet form, with identification of all relevant source material.

Response:

No testimony thus far has included any calculations of savings. However, Interstate Gas Supply, Inc., Southstar Energy and Vectren Source reserve the right to address this issue and will supplement this response to the extent they offer testimony of same in rebuttal.

PSC Case No. 2010-00146
AARP DR No. 013
Respondent Greg Collins

INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUEST OF AARP

Request for Information 13

To the extent that the testimony filed on behalf of Intestate Gas Supply, Inc., Southstar Energy Services, LLC and Vectren Source asserts that terms and conditions for retail gas choice in Kentucky are more onerous and fees and charges are higher than in other jurisdictions, please provide any analysis or other evidence that demonstrates that the Kentucky terms, conditions, fees or charges are: (a) not cost-based; (b) unjust; or (c) unreasonable.

Response:

No such assertions were made.

PSC Case No. 2010-00146
AARP DR No. 014
Respondent: Matthew Malone, Esq. as to Legal Objection

INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUEST OF AARP

Request for Information 14

Is it the position of Intestate Gas Supply, Inc., Southstar Energy Services, LLC and/or Vectren Source that the supervision by the Kentucky Public Service Commission of the competitiveness of the retail supply market in Kentucky is: (a) within the jurisdiction of the Commission, and (b) provides a state action protection against application of anti-trust laws to that market? Please provide your reasoning and relevant citations to support your positions on these questions.

Response:

Objection. This questions calls for a legal conclusion outside the scope of Witness' Collins' testimony.

HURT, CROSBIE & MAY PLLC

William C. Hurt, Jr.
Scott A. Crosbie
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Jennifer S. Scutchfield *

* Of Counsel

RECEIVED
JUL 29 2010
PUBLIC SERVICE COMMISSION

July 29, 2010

Via Hand-Delivery
Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

RE: *Case No. 2010-00146; An Investigation of Natural Gas Retail Competition Programs*

Dear Mr. Derouen:

Please find enclosed the original and twelve (12) copies of Interstate Gas Supply Inc.'s, SouthStar Energy Services, LLC's and Vectren Source's collective data request responses to the Commission Staff.

Please place the document of file.

Regards,

Matthew Malone

C: File; Parties

COMMONWEALTH OF KENTUCKY

BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF NATURAL GAS)
RETAIL COMPETITION PROGRAMS) CASE NO.2010-00146

INTERSTATE GAS SUPPLY, INC.'S, SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S INITIAL DATA REQUEST RESPONSES TO THE COMMISSION STAFF

FILED: July 29, 2010

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In re the Matter of:

AN INVESTIGATION OF NATURAL GAS)
RETAIL COMPETITION PROGRAMS) CASE NO. 2010-00146
)
)

VERIFICATION OF GREGORY F. COLLINS

Comes the undersigned, Gregory F. Collins, being duly sworn, deposes and states that he is President of Vectren Retail, LLC. d/b/a Vectren Source, that he has read the foregoing responses and exhibits and knows the matters contained therein; that said matters are true and correct to the best of his knowledge and belief.

Gregory F. Collins

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF FAYETTE)

Subscribed and sworn to me this 29th day of July, 2010, by Gregory F. Collins.

Notary Public

My Commission Expires: 11/21/2011

COMMONWEALTH OF KENTUCKY

BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF NATURAL GAS)
RETAIL COMPETITION PROGRAMS) CASE NO.2010-00146

INTERSTATE GAS SUPPLY, INC.'S, SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S CERTIFICATE OF SERVICE REGARDING DATA REQUEST RESPONSES TO THE COMMISSION STAFF

Comes now Interstate Gas Supply, Inc., Southstar Energy Services, LLC and Vectren Source, individually, and collectively, by counsel, and hereby certify that an original and twelve (12) copies of the attached data request responses to the Commission Staff were served via hand-delivery upon Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40602-0615; furthermore, it was served by mailing a copy by first class US Mail, postage prepaid, on the following, on this 29th day of July 2010:

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Respectfully submitted,

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Counsel for,
INTERSTATE GAS SUPPLY, INC.
SOUTHSTAR ENERGY SERVICES, LLC
and
VECTREN RETAIL, LLC D/B/A
VECTREN SOURCE

PSC Case No. 2010-00146
Commission Staff DR No. 001
Respondent: Greg Collins

INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUESTS OF COMMISSION STAFF

Request for Information 1

Although the Testimony of Gregory F. Collins ("Collins Testimony"), generally addresses many of the 15 elements contained on pages 14 and 15 of the Commission's Order of April 19, 2010, it did not specifically address each element the Kentucky General Assembly directed the Commission to consider. Explain whether the Commission should consider Retail Suppliers' silence on the elements not addressed to mean that Retail Suppliers have no stated position on these elements. If no, then Retail Suppliers should state their positions.

•The role of the Commission in a competitive marketplace;

Response:

The Commission plays an essential role in the development of a competitive marketplace in several ways. Typically, the Commission will be the key entity that helps to develop, along with other interested stakeholders including competitive retail suppliers, utilities, at times the attorney general's office, and interested consumers, the substantive rules by which the supplier activity is governed. Also, the Commission, more specifically its staff, typically provides a day-to-day contact point in responding to consumer inquiries, assisting with various entities with issues (consumer v. supplier, consumer v. utility, supplier v. supplier, supplier v. utility, utility v. supplier or some combination). Commission staffs typically in more established choice markets will on occasion act as participant/mediator by providing stakeholders with insight through staff comments, questions and concerns, as the market continues to evolve while maintaining focus on equitable development of the market so as to maintain a level playing field, dynamic competition and consumer protections. In most appropriately structured markets, the Commission staff plays a critical role in keeping all the players on task.

• The obligation to serve;

Response:

Please see next two sections.

PSC Case No. 2010-00146
Commission Staff DR No. 001
Respondent: Greg Collins

• The supplier of last resort (SOLR);

Response:

As stated in testimony SOLR is traditionally a role that is filled by the incumbent utility and a role that needs to be performed so that human needs customers are never without natural gas during the heating season. However, also as stated in testimony, it is not a role that must be filled by the incumbent utility. The states of Ohio and Georgia have demonstrated that in a properly structured market competitive suppliers can capably fill this important role. At the initial stages in the development of a competitive market, absent a strategic utility desire to exit this function, it is not imperative that this role be filled by someone other than the incumbent utility. However, as a market evolves it is an issue that could and should be addressed.

• Alternative commodity procurement procedures;

Response:

An alternative commodity procurement procedure is, as the RGS (for purposes of simplicity sake, Witness Collins refers to Interstate Gas Supply, Southstar Energy Services, LLC and Vectren Source as "RGS" collectively hereafter) understands it, one in which the traditional purchased gas cost mechanism or gas cost recovery mechanism is replaced with a procurement process that more accurately reflects the monthly market reflective cost of commodity and delivery to the consumer without the distortion of prior period adjustments, but includes all of the costs related to providing that commodity service to the consumer. In Ohio, for example, three of the four major utilities have replaced the GCR with an alternative procurement process pursuant to which customers not served by competitive suppliers or government aggregation are served by competitive suppliers who are successful bidders in Commission approved auctions. The price of this service is determined by the monthly NYMEX settlement plus a retail price adjustment determined by the auction process. The retail price adjustment is fixed for the pre-determined auction period. This process eliminates after the fact adjustments to the commodity price thus creating greater transparency, allows competitive market forces to set the "default product" pricing, promotes greater price awareness among consumers of natural gas and the impact consumers can have on their monthly bill as a result of enhanced transparency, affords enhanced opportunities for customer education. Further, based on Commission staff analysis, the competitive auction process in Ohio has consistently resulted in prices significantly lower than the GCR alternative it replaced. Because of the enhanced consumer awareness prompted by the auction process the competitive market has continued to evolve providing a greater array of product offerings among a greater number of competitors from which the consumer can choose. The alternative procurement process in Ohio was established as a means of creating a transition from a traditional regulated pricing paradigm within the context of a GCR mechanism involving prior period true-ups and prudence reviews with a market-based pricing paradigm that provides price transparency and timely price signals. Enhanced price information in the hands of consumers enables those consumers to undertake an active and self-determinative role in consumer decisions and behavioral modification based on those price signals.

• Non-discriminatory access to services offered;

Response:

The RGS believe this element is meant to capture several issues including: (1) non-discriminatory access to utility services and programs so that affiliated and non-affiliated companies are all provided equal access to information, services, and assets so that no supplier or suppliers are provided more favorable treatment than others; (2) non-discriminatory access to services such as billing, receivables management services (which would include all aspects of the receivables management process paid for by all rate payers); and (3) non-discriminatory access to supplier products and services by consumers so that all consumers have open access to competitive products.

The RGS believe that non-discriminatory access in all three categories is important to a properly structured competitive market. In order to achieve this, certain items need to be addressed, including:

- an affiliate code of conduct;
- supplier/utility interaction protocols so that enrollments are processed expeditiously, interactions between supplier and utility are productive, and generally the utility and supplier agree to work in good faith with each other toward resolution of questions and concerns;
- services for which consumers pay through ratemaking are provided on a non-discriminatory basis and on an equal footing regardless of who the commodity provider is (for example, if the utility does not de-contract for commodity assets as a consumer migrates, but notwithstanding the migration continues to require the consumer or the consumer's supplier to pay for those assets, then the assets or the value of those assets must be made available to the consumers through the supplier);

- purchase of receivables programs with utility consolidated billing (so that consumers at all credit risk levels can participate and so that rate-payers continue to have access to the receivables management systems paid for through base rates); and

- generally creating a level playing field so that consumers get the services for which they pay and have good information upon which to make decisions.

• Codes of conduct for marketers and affiliates of regulated utilities;

Response:

The RGS believe an affiliate code of conduct is important and that a utility should not provide competitive products through the utility's corporate structure. An affiliate code of conduct should ensure that if a utility decides it would like to offer competitive product alternatives to its ratepayers, it does so through the creation of a separate non-regulated affiliate with effective functional and physical separation of employees to avoid cross-subsidization and preferential access to information and business systems.

The RGS also advocates the development of a marketer code of conduct to assure compliance with relevant programmatic requirements. The marketer code of conduct can be limited to commodity operational matters to assure the continued integrity of the utility system assuming the existence of Commission-promulgated marketing rules.

•Certification of suppliers;

Response:

The RGS believe that certification of a supplier is essential to the creation of a reliable competitive market. The certification process should require the supplier applicant to demonstrate financial, managerial, technical and operational competence to serve residential customers. A certification process provides the Commission with an opportunity to review the capabilities of the supplier, to help ensure that the supplier has the ability to fulfill contracts, interact with customers and will comply with all applicable rules and laws. The certification process also enables continued Commission scrutiny of the supplier in the sense that if the supplier fails to perform, the Commission would have the ability to restrict the certification, remove the certification or make it conditional on achieving some positive results. Certification through the Commission exists in all well developed programs, including Ohio and Georgia, as well as in Pennsylvania, New York, Maryland, Virginia, Michigan, Illinois and elsewhere. It is important that the certification process is a) non-discriminatory, b) specifies the criteria necessary for achieving and maintaining certification, and c) allows for confidential treatment of competitively sensitive and/or confidential information so that sufficient information can be presented upon which an informed decision can be rendered. Typically, a certification process allows for automatic approval after a specified period of time absent Commission action on the application. The experience a supplier has had in other jurisdictions is relevant, although should not on its own dictate whether certification is granted. This approval process allows the Commission staff sufficient time to review the applicant's qualifications and experience but also provides some finality to the process so that certifications do not unduly delay market entry. A typical period is 30 days. Ohio Revised Code 4929.20(A) delineates the certification process in Ohio, although greater detail is contained in Ohio Administrative Code Section 4901:1-27. Similar provisions exist in New York in its Uniform Business Practices act, Michigan through Public Act 634 of 2002, Illinois Section 19-110 of the Public Utilities Act ("Act") and 83 Ill. Adm. Code 551 ("Part 551"), Maryland, Virginia and Pennsylvania.

•Transition costs;

Response:

It is important to consider transition costs when properly structuring a competitive natural gas market. However, transition costs need to be closely examined so that only the incremental expenses are included in such costs and that the appropriate parties are responsible for those costs. Each utility will likely have differences between the incremental costs associated with creating the necessary infrastructure to support a choice program, so some flexibility needs to be considered in dealing with those costs. It is important to also consider that all similar rate class customers will have similar opportunities when it comes to competitive options, assuming programs are properly structured and include Purchase of Receivables, so sharing costs among similar rate classes is likely the most appropriate structure, for most transition costs.

•Stranded costs;

Response:

This is a central issue that must be addressed in properly structuring a market. This issue is fairly easily addressed, although there may be different ways to address it from utility program to utility program. It is the experience of RGS that very few stranded costs, if any, need to be created; and, typically if stranded costs become problematic they do so as a result of an improperly structured market. For example, as discussed more fully in RGS testimony, a utility will structure its capacity and storage based upon a calculation of design day needs of its firm customer base, and has likely done so without consideration of competition. As such, if the utility is reticent to de-contract for capacity and storage contracts as customers migrate away from utility commodity service to competitive supply service, in a properly structured market either the capacity and storage assets need to follow the customer as the customer moves from supplier to supplier (on a release and recall basis) or, if the assets are going to remain with the utility then comparable services need to be provided to the party that is responsible for the costs of those assets. At times the utility will continue to bill the migrated customer for their share of those costs, but will provide delivery, balancing and peaking services that approximate the value the assets had they been released. An example of this is the Enhanced Firm Balancing Service provided in the Duke Energy-Ohio service territory. In other instances, the assets will be released to the supplier on a recallable basis with the costs of those assets being paid directly by the shipper to the pipeline or storage field provider. An example of this is the Columbia Gas of Ohio program. In either instance the utility remains unaffected in its responsibilities because either the assets can be recalled or are already in its possession and can be used to meet any needs resulting from a defaulting supplier. If, however, the program is structured where the customer or the customer's supplier is required to continue to pay for the assets, yet gets neither a release nor comparable value in the form of modified delivery, balancing and peaking services, then the migrated customer will be subsidizing either the utility or non-migrated customer, or both. Since most of the remaining costs are recovered through monthly administrative charges and base rates, in order to assure equity and the avoidance of stranded costs, the migrated customer must continue to derive the benefit of the systems paid for through those customer paid rates.

•*Uncollectibles;*

Response:

This is also a critical issue to address when properly structuring a competitive market and is in some ways a subset of the previous question regarding 'stranded costs' as well as the questions regarding equity. All ratepayers in similar classes pay the same base rates, administrative charges and related items. With most retail access programs this does not change even if the commodity supplier changes from the utility to a competitive supplier. The costs associated with a revenue management system held by the utility, including call center capabilities, accounting capabilities, information technology, personnel, receivables collection and management, disconnection and reconnection functions and all related systems, people and processes are recovered through base rates and/or administrative charges that are the same for all residential customers. As the customer migrates to competitive suppliers, the utility should remain responsible for the uncollectibles by offering a purchase of receivables program, for a number of reasons including:

(a) continuity of receivables management;

(b) customers continue to receive the benefit of all of the systems for which they pay through the rates;
(c) suppliers can make offers to customers of all credit rating levels; and
(d) disconnection and reconnection protections and processes remain the same for all customers and remain in the purview of the utility; and

Because disconnection processes represent the strongest and most effective tool available to ensure customers that can pay do pay for the services they receive, a significant inequity is created if the utility does not have a purchase of receivables program where the utility manages the receivables and uncollectibles. In some instances suppliers have been provided the ability to order shutoff for non-payment, but in those instances other concerns may be created and in at least one jurisdiction where suppliers have that ability, New York, it was determined that POR was a more efficient and effective means of ensuring equity with respect to all aspects of the systems.

An essential element of any purchase of receivables program is the ability of the utility to remain whole on all uncollectibles. In Ohio all utilities offering competitive programs have bad debt tracker mechanisms, wherein all of the uncollectibles are included in a single rider that is paid for by all residential customers regardless of the source of the uncollectible. In other programs, the uncollectibles are included in various mechanisms, although in those programs there is typically a discount to the receivables purchased, in the 1-2% range (typically reflective of the system wide bad debt experience). Flexibility in program design is appropriate as long as the program is designed in an equitable manner so that no customer class is required to pay for these costs in a duplicative manner. From our experience, the Ohio model is very transparent and equitable, since all customers are proportionally responsible for the uncollectibles and the utility is responsible for effectively managing the receivables for all customers. It is also important to treat the purchased receivables just like any other receivable owned by the utility, so that the same receivables management tools, including collection and disconnection, can be utilized by the utility on a non-discriminatory basis while assuring consistent consumer protections.

• Disconnections;

Response:

Summarily, disconnections should be part of a purchase of receivables program, and should be permitted to recover supplier commodity charges subject to the same rules, procedural safeguards, and with the same consumer protections as are in place for utility charges. To do otherwise will allow certain customers to take advantage of the construct of the system, and selectively pay for services and not pay for others. Inconsistency in disconnection authority also results in an inequity to supplier customers because all customers who have shared the expense of utility systems to manage the receivables, including the disconnection process should derive the benefit of collection and disconnection leverage to assure that all customers who can pay do pay for utility services. It has also been our experience that unnecessary and avoidable administrative and programming costs are incurred if the utility has to differentiate between supplier charges for commodity and utility charges for commodity. This issue was recently considered by the Pennsylvania Public Service Commission and determined that it is appropriate to allow utilities to disconnect for non-payment of supplier natural gas charges. Disconnection for supplier natural gas receivables is permitted in the most competitive programs, including Ohio, New York, Michigan, Pennsylvania, Georgia, and Indiana.

•Steps necessary to maintain system integrity;

Response:

Several elements should be considered in addressing potential concerns regarding the maintenance of system integrity. However, as a preliminary comment, it is important to understand that millions of consumers in dozens of programs currently take natural gas commodity service from alternative natural gas suppliers, and in two states Ohio and Georgia, the utility has essentially removed the entire commodity procurement function from its hands and placed those functions in the hands of competitive commodity suppliers, without any degradation in system integrity or reliability. In fact, it is arguable that reliable system integrity has increased, as the supply commodity procurement function has been dispersed to a wider group of suppliers, instead of concentrated solely within the utility. This dispersal spreads capital risks over a more diverse group of suppliers, allows for additional processes and procedures for evaluating risk and protecting against defaults, and creates a more diverse supply portfolio than any single provider can maintain. In developing protocols for ensuring continued system integrity, which to the RGS means that regardless of the supply source the system continues to maintain reliability and deliverability of commodity during all periods up to critical day requirements, the following should be considered:

a) State level review and certification of suppliers' financial, technical, managerial and operational capabilities;
b) Utility non-discriminatory application and testing procedure/process wherein the utility would undertake its own credit review process, with predetermined non-discriminatory criteria, test to ensure capability of IT systems for interactions between the supplier and utility, and a demonstration of ability by the supplier to meet daily and seasonal delivery requirements;

c) Tariff provisions related to delivery non-compliance charges that are reasonable in scope (such as penalties for failing to meet a delivery requirement on a critical day);
The requirement of reasonable collateral, although purchased receivables should be considered in this process in determining the level. Bonds, letters of credit, parental guarantees and cash are all reasonable forms of collateral. The purpose of the collateral is to provide the utility with collateral to use to offset any impact there may be on the system or customers as a result of a supplier default; and

d) Recallable capacity assignment. This ensures that in the event of a default the party acting as provider of last resort always has available, on a recallable basis, those assets assigned to a defaulting supplier.

•Access to pipeline storage capacity; and

Response:

This was addressed in detail in RGS testimony, as well as in response to several of the questions above. In summation, for purposes of reducing or eliminating stranded costs associated with pipeline and storage capacity and the establishment of an equitable market structure it is important to ensure that customers receive either the assets for which they pay or a reasonable approximation of those assets through related services. It is possible to ensure that stranded costs are minimized and at the same time that the market is structured equitably without doing a "slice of the system" type of distribution of pipeline and storage assets; however, to do so and continue to charge the customer or supplier for the costs associated with those assets it is imperative that comparable value be provided through balancing, delivery and peaking services. This means that if assets are not released but the costs continue to be borne by those ratepayers or their suppliers for the assets, a flat delivery protocol would need to be established so that suppliers essentially deliver a stable amount of gas throughout the year. Columbia Gas of Kentucky has this type of system. From RGS' perspective, this is a critical issue to be addressed, although there are several ways to structure this element of the program and to create dynamic programs. Maintaining flexibility among utilities on this aspect of program development is acceptable, as long as the underlying premise is that the market structure can demonstrate that cost causation is matched up with services and/or assets received, so that there are no stranded costs and migrated customers are not unfairly burdened with costs without equitable services or releases.

PSC Case No. 2010-00146
Commission Staff DR No. 001
Respondent: Greg Collins

• Impacts of new natural gas retail competition programs on existing utility services and customers.

Response:

Retail competition does not need to interfere with existing utility services. At the developmental stage of retail competition, whether a consumer selects a competitive product from a competitive supplier is, in the end, up to the consumer to decide. If the program is properly structured a level playing field is constructed where a) costs are appropriately allocated to those receiving the benefit of the assets and services and b) a purchase of receivables program is implemented pursuant to which the utility is held harmless so that all customers can be afforded a choice of supply service alternatives. Also in a properly structured market there should be a Commission certification process and Commission promulgation of consumer protection rules that appropriately balance the interest of the consumer in having a reliable environment in which to shop and the interest of suppliers to compete in a dynamic market should the consumer desire to shop.

Additionally, the introduction of competition does not displace utility services related to customer payment. Budget billing options, extended payment arrangements and low income assistance programs can continue without impact.

PSC Case No. 2010-00146
Commission Staff DR No. 002
Respondent: Greg Collins

INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUESTS OF COMMISSION STAFF

<u>Request for Information 2</u>

Provide:

a. A list of the states in which Retail Suppliers provide small-volume customers with gas supply.

Response:

Ohio, Illinois, Kentucky, Pennsylvania, New York, Indiana, Michigan, and Georgia, although each RGS supplier may not participate in every state.

b. The utilities in whose service territories Retail Suppliers are active in each state.

Response:

Ohio – Dominion East Ohio, Columbia Gas of Ohio, Vectren Energy Delivery of Ohio, Duke Energy-Ohio.
Pennsylvania – Columbia Gas of Pennsylvania, National Fuel
Indiana – Northern Indiana Public Service Co.
New York – National Grid, National Fuel Gas, Central Hudson
Michigan -- MichCon, Consumers Energy
Illinois – Nicor Gas, Peoples/NorthShore
Georgia – Atlanta Gas Light
Kentucky- Columbia Gas of Kentucky; Duke Energy-Kentucky (commercial)

c. The number of customers of each utility identified in b. above and the number of customers served by Retail Suppliers within the utility's service territory.

Response:

Mr. Collins understands this question to pertain to customer migration rates in those service territories in which one or more of the Retail Suppliers are active. Providing customer migration rates which are limited to those of just the Retail Suppliers provides an incomplete picture of the relative state of competition in those service territories.

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Commission Staff DR No. 002
Respondent: Greg Collins

Below, please note customer eligibility and migration rates for all retail suppliers in those service territories in which one or more of the Retail Suppliers are active.

Enrollment in Choice Programs, 2009

State	Utility	Total Customer Count (residential)	Migrated Customers (residential)
Ohio	Columbia Gas	1,200,880	509,692
	Vectren Energy	268,548	107,406
	Dominion East	1,019,578	954,031
	Duke Energy	374,658	94,127
Pennsylvania	Columbia Gas	376,924	67,818
Indiana	NIPSCO	660,640	93,599
Illinois	Nicor Gas	1,932,454	218,000
	Peoples/ NorthShore	976,000	53,000
New York	Central Hudson	60,099	8,347
	National Grid	538,627	110,187
	National Fuel	484,139	92,008
Kentucky	Columbia Gas	123,028	29,614
Michigan	MichCon	971,054	183,000
	Consumers	1,572,922	162,443
Georgia	Atlanta Gas & Light	1,461,748	1,461,748

Source: Ohio, Pennsylvania, Illinois, Indiana, Kentucky and Georgia information obtained from the Energy Information Administration, July 29, 2010: http://www.eia.gov/oil_gas/natural_gas/restructure/restructure.html; Illinois information for Peoples/NorthShore is combined information ; Michigan information obtained from the Michigan Public Service Commission website at http://www.dleg.state.mi.us/mpsc/gas/choicestat.htm. New York information obtained from NY PSC site, http://www.dps.state.ny.us/GasMigrationJan2010.pdf

d. The length of time Retail Suppliers have served customers in each utility 's service territory.

Response:

Retail suppliers have served residential customers from the inception of each jurisdictional program. In Ohio, Michigan, Georgia, Pennsylvania and Indiana residential transportation programs were launched in the late 1990's.

IGS has served the Ohio Markets since the inception of the choice programs in each utility markets – essentially 1998 in Columbia Ohio and 2000-2002 in the other markets. IGS entered New York (Central Hudson) in 2005, (National Grid) in 2006 and (National Fuel) in 2010. IGS entered the Pennsylvania (CPA) market in 2002. IGS entered the Illinois market (NICOR) in 2002, and (Peoples NS) in 2008. IGS entered Indiana (NIPSCO) in 2007. IGS entered Michigan in 2002 (Michcon) and (Consumers) in 2006. IGS entered Kentucky (CKY) in 2002.

Vectren Source has served the following LDC jurisdictions:

LDC	Year Entered
Columbia Gas of Ohio	2001
Dominion East Ohio Gas	2002
NIPSCO	2002
Vectren Energy Delivery of Ohio	2003
National Grid (NY)	2006
National Fuel Gas (NY)	2007
Duke Energy Ohio	2008

e. The experience of Retail Suppliers' customer growth (or decline) in each.

Response:

Customer counts have increased in virtually every service territory since the inception of choice programs, as illustrated on the Energy Information Administration's website.

f. For each response to items a. through e. above, indicate the mix of residential and commercial customers served by Retail Suppliers.

Response:

RGS do not necessarily maintain information consistent with this request, but likely serve residential and commercial customers in each jurisdiction where the choice participation threshold and rules will permit commercial customers to participate. Often it is a function of the customer's annual usage that determines whether they will be permitted to participate in a small volume user "choice' transportation program, or in a more traditional transportation program. IGS, Vectren and SouthStar primarily focus on serving customers through choice programs, and through those programs will serve a variety of customer classes, including residential, commercial and industrial, although as a function of customer count, the largest percentage of customers sought for enrollment would be residential customers and likely by a significant amount.

PSC Case No. 2010-00146
Commission DR No. 003
Respondent: Greg Collins

INTERSTATE GAS SUPPLY, INC., SOUTHSTAR ENERGY SERVICES, LLC'S AND VECTREN SOURCE'S RESPONSE TO DATA REQUESTS OF COMMISSION STAFF

Request for Information 3

Columbia Gas of Kentucky ("Columbia") filed the most recent annual report on its Choice Program with the Commission on June 4, 2010. The last paragraph on page 2 of the report indicates that, since the inception of the program through the most recent month available when the report was filed, participants in the program had paid $17,280,299 more than "[i]f they had not opted to be supplied by a marketer in the first place." Explain whether Retail Suppliers consider Columbia's Choice Program to be successful, from a customer perspective, based on the absence of customer savings.

Response:

Yes. Columbia's program has been successful. It offers the customers the ability to select a product and product price if they so choose, and customers can make choices among multiple suppliers offering multiple price options or remain with the utility's price.

Making cost comparisons between supplier prices versus utility regulated prices is not a good barometer of the success of a program. There is value to many consumers in simply knowing what their price is going to be, and that the price is final. There are inherent differences between underlying component values of supplier product offerings when compared to the utility's regulated price. The utility price is distorted both with prior period adjustments as well as adjustments in future billing periods which allows for recovery of under collections. In other words, the utility price is not necessarily a final "all in" price at the time of billing. Thus, customers are at risk for paying additional charges to be recovered in the future if the actual cost is greater than the billed rate. It is this distortion of the utility's price calculation that makes a comparison both difficult and potentially inaccurate. The transparency and finality of a competitive supplier's price are factors considered by consumers in determining whether to purchase from a competitive supplier. These favorable attributes in and of themselves should be considered sufficient to consider a program to be desirable and successful.

That being said, the RGS have no independent knowledge of the methodology utilized to arrive at the number contained in the Columbia report, so RGS can neither confirm nor deny that statement. It is also worth noting that in 2004 the Columbia report indicated an aggregate savings of $1,458,148. And then in 2006 there was an aggregate savings of $11,367,613. So, basically the ledger swings back and forth over time due to the nature of the products offered by suppliers and to the price calculations of the utility. For example in 2008 the wholesale price of natural gas ran up at the same time as oil reached record highs. One of the most popular products suppliers offer is fixed rates products and many customers may have locked in a price during the run up feeling that further increases were possible at that time. With the subsequent downturn in the economy, prices have fallen dramatically since that time and there is little doubt that these customers likely paid higher rates than they would have if they remained with the utility. However it would be short sighted to take this unique set of events which may have led to customers paying higher rates than the utility over the past 18 months and draw general conclusions about the value provided by choice programs. Moreover, such a myopic analysis also devalues to zero the inherent value of the optionality that is imbedded in a fixed price product. If in fact prices had continued to increase as was predicted by many experts at the time, the calculations would have turned out dramatically different, offering a huge positive cost differential. What is important is the ability of a consumer to purchase products that have value inherent to that consumer, it is not, the cost differential at any point in time. In fact it is the ***opportunity*** to save money which Columbia states as its program goal when establishing the original choice program. The reports produced by Columbia demonstrate that consumers have in fact saved money, although it depends on the snapshot on which we decided to focus.

The RGS believe that an opportunity for savings is one of the benefits that does exist in the market, but it is an individual's broader customer experience that is of paramount importance. If a consumer's primary interest is wanting the security of a known price and can get that from the market, it is presumptuous for someone else to decide for them that savings should be the sole determinant of customer value. If the market is properly structured, opportunities for consumers to find the value proposition that best suits them will be available: for some it is savings, for others it is security and stability, and for others it is simply knowing what they have to pay, without all of the adjustments and revisions that occur with a regulated price. An opportunity for savings does not necessarily always equate to every customer paying a lower rate each and every month, nor does it diminish the other benefits that are present with a competitive market.

An equally important benefit of the competitive market is the ability for consumers to take control of their natural gas purchasing decisions, so that they can make decisions that are best for them and their families. Risk-averse consumers will more likely decide that a fixed price or capped price product is the product that best meets their needs. In a vibrant properly structured competitive market, there will be ample products offerings over time from a variety of sources. A regulated paradigm does not offer this option, and thus cannot meet the needs of consumers that want to avoid or mitigate the volatility of a variable rate.

A third benefit of the competitive market is the impact it has on all prices. As the competitive market develops, all participants have to become more and more efficient to remain competitive, including the utility. In many service territories the existence of competitive suppliers in the programs not only makes the competitive suppliers better at providing competitive products, but also encourages the utility to become more efficient with its products, assets and services. This happens through stakeholders' participation in rate cases, reviews of GCAs, collaborative and other similar activities. Suppliers are very familiar with the markets, capacity assets and what it takes to service customers. Participation over decades in multiple venues has enabled suppliers to gather a wealth of knowledge and experience that they bring to bear in the regulated processes to help the regulators and utilities become more efficient.

An additional benefit derived by the existence of the competitive market is that it simply provides options for consumers, always remaining mindful that ultimately the choice is the consumer's. Opportunities provided to marketers as a result of positioning the consumer to select supply alternatives will drive product innovation in terms of pricing and service options. Consumers perceive value in many different ways. When market prices are high and there is a risk for continued upward price pressure, some consumers often want to protect against even higher prices. Other consumers simply want to find a price in the market that would ensure they will pay the same or less this winter than the previous year. Others will look for something that is priced below the utility's price and will not be as concerned with the volatility. With any of the options, the important point is that the option is available allowing the consumer to discern what the consumer believes to be in his or her best interest. If competition is not allowed, neither is the opportunity for consumers to make decisions for themselves. Gas prices are at historic lows. Prices will inescapably rise over time. While regulated pricing paradigms might provide ephemeral mitigation against market prices through a levelizing of volatility, over time commodity index prices in large part determine the price of the commodity, thus the need for prior period reconciliation. At some point the price will have to be paid. Absent competitive options and the ability of consumers to make decisions for themselves when and if they choose to do so, the Commission and utilities are assuming the responsibility and attending risks of determining what is in the consumer's best interest and are essentially eliminating all potential consumer preferences.

In regard to an assessment of the Columbia program's success, RGS believe the program was successful in introducing options for consumers and enabling consumer self-determination. However, RGS believe the potential success of the program has been compromised by its "pilot" nature and periodic reassessments of its continuation. Market entry requires a significant investment and without some degree of certainty that the program will continue, many companies look elsewhere for growth. Establishing a permanent program would encourage more suppliers to enter the market, which as mentioned above would lead to more customer offerings, drive efficiencies and encourage innovation.