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PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CONSIDERATION OF THE )  
NEW FEDERAL STANDARDS )  
OF THE ENERGY )  
INDEPENDENCE AND )  
SECURITY ACT OF 2007 )

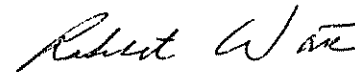
CASE NO. 2008-00408

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NOTICE OF FILING JOINT DIRECT TESTIMONY

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Delta Natural Gas Company, Inc. hereby gives notice of the filing of the Joint Direct Testimony of Glenn R Jennings on behalf of Atmos Energy Corporation, Columbia Gas of Kentucky, Inc. and Delta Natural Gas Company, Inc., a copy of which is attached hereto.



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### Certificate of Service

This is to certify that the foregoing pleading has been served by mailing a copy of same, postage prepaid, to the following persons on this 12<sup>th</sup> day of December 2008:

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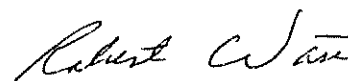
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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CONSIDERATION OF THE )  
NEW FEDERAL STANDARDS )  
OF THE ENERGY )  
INDEPENDENCE AND )  
SECURITY ACT OF 2007 )

CASE NO. 2008-00408

JOINT DIRECT TESTIMONY  
OF  
GLENN R. JENNINGS  
ON BEHALF OF  
ATMOS ENERGY CORPORATION  
COLUMBIA GAS OF KENTUCKY, INC.  
DELTA NATURAL GAS COMPANY, INC.

AFFIDAVIT

The affiant, Glenn R. Jennings, being duly sworn, deposes and states that the prepared testimony attached hereto and made a part hereof, constitutes the prepared direct testimony of this affiant in Case No. 2008-00408. In the Matter of: Consideration of the New Federal Standards of the Energy Independence and Security Act of 2007, and that if asked the questions propounded therein, this affiant would make the answers set forth in the attached prepared direct testimony.

Affiant further states that he will be present and available for cross-examination and for such additional examination as may be appropriate at the hearing in Case No. 2008-00408 scheduled by the Commission, at which time affiant will further reaffirm the attached prepared testimony as his direct testimony in such case.

Glenn R. Jennings  
GLENN R. JENNINGS

STATE OF KENTUCKY            )  
  )  
COUNTY OF CLARK            )

Subscribed and sworn to before me by Glenn R. Jennings, this the 11<sup>th</sup> day of December, 2008.

My Commission Expires: 6/20/2012

Emily P. Bennett  
Notary Public, State at Large, Kentucky

1 **Q. Please state your name and business address.**

2 A. Glenn R. Jennings, Delta Natural Gas Company, Inc., 3617 Lexington Road,  
3 Winchester, Kentucky 40391.

4 **Q. What is your present employment?**

5 A. I am presently employed as Chairman of the Board, President and Chief  
6 Executive Officer of Delta Natural Gas Company, Inc. ("Delta").

7 **Q. What is the purpose of your testimony?**

8 A. My testimony is being submitted pursuant to the November 13, 2008, order in this  
9 proceeding. I am filing it jointly on behalf of Delta, Columbia Gas of Kentucky,  
10 Inc. ("Columbia") and Atmos Energy Corporation ("Atmos"). Delta, Columbia  
11 and Atmos are hereinafter referred to collectively as "Joint LDCs."

12 **Q. Please describe the measures taken by the Joint LDCs to address the**  
13 **requirements of Section 532(b) of the Energy Independence and Security Act**  
14 **of 2007 ("EISA").**

15 A. Section 532 (b) of EISA is an amendment to Section 303(b) of the Public Utility  
16 Regulatory Policies Act of 1978 ("PURPA"). Subsection (5) of that section calls  
17 for natural gas utilities to integrate energy efficiency resources into their plans and  
18 planning processes and to adopt policies that establish energy efficiency as a  
19 priority resource in their plans and planning processes. The Joint LDCs have  
20 developed or are in the process of developing various Demand Side Management  
21 ("DSM") programs in accordance with KRS 278.285. These DSM programs  
22 integrate energy efficiency resources into the planning processes of the Joint  
23 LDCs. The DSM programs currently authorized or proposed allow Delta and  
24 Atmos to varying degrees to promote energy efficiency measures with their

1 customers, which encourage customers to use less natural gas by converting to or  
2 installing more efficient appliances, and also to offer customers incentives to  
3 encourage energy efficiency practices by the customers.

4 **Q. What measures are in place to encourage the Joint LDCs to have DSM**  
5 **programs?**

6 A. The Joint LDCs are encouraged to participate as they are allowed to recover the  
7 costs of the DSM programs, including incentives and promotional costs as well as  
8 administrative costs. They also are allowed to recover revenues lost as a result of  
9 customer efficiency and conservation. The currently authorized DSM programs  
10 of the Joint LDCs allow the utilities to retain a portion of the benefits accruing  
11 from these programs in order to provide the utilities with incentives for the  
12 successful management of the energy efficiency DSM programs.

13 **Q. Have the Joint LDCs also addressed the new Section 303(6) of PURPA?**

14 A. Yes. In general, that subsection provides that the rates charged by natural gas  
15 utilities shall align utility incentives with the deployment of cost-effective energy  
16 efficiency. The rates of the Joint LDCs have been gradually moving toward  
17 decoupling revenues from volumes by increasing the revenues received from the  
18 monthly customer charge. In their most recent rate cases, the Joint LDCs  
19 received most, or all, of the annual revenue increases granted in the form of  
20 increased monthly customer charges. This trend moves toward separating fixed-  
21 cost recovery of base or delivery charges from the volume of transportation or  
22 sales service provided to the customer in accordance with Section 303(6)(b)(i) of  
23 PURPA. The Joint LDCs' base rates still contain per unit rates as well as monthly



1 customer charges. Moreover, the commodity costs that are not included in base  
2 rates or delivery charges represent approximately 75% of a customer's bill and are  
3 solely volumetric charges. Thus the current rate designs help to promote energy  
4 efficiency as customers are encouraged through rates to be more efficient. These  
5 approaches are consistent with promoting energy efficiency in ways that will  
6 benefit consumers without harming utilities' financial conditions.

7 **Q. Have the Joint LDCs identified any alternative standards the Commission**  
8 **should consider in addition to, or in lieu of, the EISA standards?**

9 A. Yes. The Joint LDCs are interested in having a new rate making alternative for  
10 the process of setting rates. Delta and Atmos requested the approval of such  
11 mechanisms in their most recent rate cases. Both were withdrawn in settlements  
12 in those rate cases with the Attorney General's office. This approach was also  
13 pursued legislatively in the 2007 session of the General Assembly and is currently  
14 being discussed for the upcoming session of Kentucky's legislature. This is an  
15 optional method to review annually and possibly adjust the natural gas utility's  
16 rates without the time and expense of a general rate case. Such Rate Stabilization  
17 or Annual Rate Review mechanism would keep rates current and would possibly  
18 adjust, consistent with the utility's last general rate case, for changes in  
19 investments and expenses. This is an approach that works well in other states to  
20 reduce the cost of adjusting rates while still having them reviewed and adjusted  
21 each year. Such a Rate Review mechanism would allow energy efficiency to be  
22 integrated into the plans and planning processes of the utility as the impacts from  
23 such conservation and efficiency would be considered each year and rates would

1 be adjusted annually to reflect the impacts. This Annual Rate Review mechanism  
2 could help both the Joint LDCs and their customers. The utilities would keep  
3 their rates current at a minimum of expense to customers, while customers also  
4 benefit from cost savings related to reduced usage.

5 Another alternative of interest to the Joint LDCs is further movement toward  
6 decoupling base rate revenues from sales and transportation volumes by placing  
7 recovery of fixed costs entirely in the monthly customer charge rather than per  
8 unit rates for delivery charges.

9 These efforts, combined with DSM programs and other existing rate initiatives  
10 such as weather normalization tariffs, will allow, and in fact encourage, the Joint  
11 LDCs to develop programs and procedures to promote energy conservation and  
12 efficiency by their customers.

13 **Q. Do you have any closing remarks?**

14 A. Yes. The Joint LDCs appreciate the opportunity to be a part of this proceeding.  
15 We appreciate the opportunity to respond with areas where steps have already  
16 been undertaken and we look forward to working with the Commission as well as  
17 the Attorney General to further improve utility services and the rate setting  
18 process while providing encouragement to customers to make more efficient use  
19 of utility services.

20 **Q. Does this conclude your testimony?**

21 A. Yes.