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

**PUBLIC SERVICE
COMMISSION**

In the matter of:)
)
THE APPLICATION OF COLUMBIA GAS)
OF KENTUCKY, INC. TO EXTEND ITS) CASE NO. 2008-00433
GAS COST INCENTIVE PROGRAM AND)
ITS OFF-SYSTEM SALES AND CAPACITY)
RELEASE REVENUE SHARING MECHA-)
NISM)

**RESPONSE OF COLUMBIA GAS OF KENTUCKY, INC. TO
INTERSTATE GAS SUPPLY, INC.'S REQUEST FOR A HEARING**

On October 3, 2008, Columbia Gas of Kentucky, Inc. ("Columbia") filed its Application in this case, requesting authority to extend its Gas Cost Incentive Mechanism ("GCIM") and its Off-System Sales and Capacity Release Revenue Sharing Mechanism ("OSS/CR RSM"). Interstate Gas Supply, Inc. ("IGS") moved to intervene on November 6, 2008, and on January 9, 2009, IGS filed Comments in this docket. By Order dated January 30, 2009, the Commission provided Columbia with ten days in which to respond to IGS' Comments. In that same Order, the Commission stated that any party wishing to request a hearing should do so by February 19, 2009. Pursuant to the Commission's January 30, 2009 Order, Columbia filed Reply Comments with the Commission on February 9, 2009. IGS filed a Request for a Hearing on February 11, 2009. In response to the Commission's Order, Columbia disagrees with IGS about the need for a hearing, and as explained below, Columbia believes that the Commission can decide the case without an evidentiary hearing.

In its Application, Columbia requested that its OSS/CR RSM and GCIM be extended for four years. IGS in its Comments recommends that the same programs be extended for only two

years. Thus, the only issue in this proceeding is the appropriate term for the extension of Columbia's OSS/CR RSM and GCIM. The parties' disagreement, cited by IGS as the sole rationale for its Request for a Hearing, is based upon the legal interpretation of previous Commission Orders.¹ This is a legal issue that the Commission can decide now without the need for an additional hearing.

Read in their entirety, the Commission's orders illustrate that the Commission has treated Columbia's OSS/CR RSM and GCIM as programs separate and distinct from Columbia's CHOICE Program and the Gas Price Hedging Plan. As of November 2008, the Commission reaffirmed its recognized autonomy of the CHOICE Program and Gas Price Hedging Plan, when it approved these programs for different terms in separate dockets.² Columbia and IGS' disagreement regarding the Commission's interpretation of the relationship between OSS/CR RSM, GCIM, the CHOICE Program, and the Gas Price Hedging Plan is an issue that the Commission can decide based upon its interpretation of earlier orders, and requires no introduction of any additional factual evidence.

The only issue in the current case is the proposed renewal term of Columbia's OSS/CR RSM and GCIM. IGS Comments in this docket set forth IGS's arguments in favor of extending

¹ *In the Matter of: the Tariff Filing of Columbia Gas of Kentucky, Inc., to Implement Cost Incentive Rate Mechanisms*, PSC Case No. 96-079, Order (July 31, 1996); *In the Matter of: the Tariff Filing of Columbia Gas of Kentucky, Inc., to Implement a Small Volume Gas Transportation Service, to Continue its Gas Cost Incentive Mechanisms, and to Continue its Customer Assistance Program*, PSC Case No. 99-165, Order (May 19, 2000); *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 Cost Incentive Mechanism*, PSC Case No. 2004-00462, Order (March 29, 2005); *In the Matter of: the Application of Columbia Gas of Kentucky, Inc. for Authority to Allocate the Proceeds of its Stranded Cost/Recovery Pool*, PSC Case No. 2005-00446, Order (May 10, 2006); *In the Matter of: the Application of Columbia Gas of Kentucky, Inc., to Extend its Gas Price Hedging Plan*, PSC Case No. 2007-00517, Order (March 7, 2008); *In the Matter of: the Application of Columbia Gas of Kentucky, Inc., to Extend its Small Volume Gas Transportation Service*, PSC Case No. 2008-00195, Order (November 7, 2008).

² *In the Matter of: the Application of Columbia Gas of Kentucky Inc., to Extend its Gas Price Hedging Plan*, PSC Case No. 2007-00517, Order (March 7, 2008) approving the Gas Price Hedging Plan until March 31, 2012; *In the Matter of: the Application of Columbia Gas of Kentucky, Inc., to Extend its Small Volume Gas Transportation Service*, PSC Case No. 2008-00195, Order (November 7, 2008) approving the CHOICE Program until March 31, 2011.

the programs for a two year period.³ Columbia provided the Commission with its Application detailing the rationale for the term extensions⁴ and with Reply Comments specifically addressing IGS' concerns regarding the program extensions.⁵ The issue is ripe for decision and no evidentiary hearing is warranted.

The record of this proceeding accurately and completely details each party's arguments regarding the OSS/CR RSM and GCIM renewal. Each party has been provided an ample opportunity to be fairly heard on all issues; in fact, IGS has not requested a hearing to raise additional arguments. Thus, the Commission is able to make a fully informed determination based on the record in this case as it stands.

WHEREFORE, Columbia respectfully requests that the Commission deny IGS' Request for a Hearing, and issue an order authorizing Columbia to extend its GCIM until October 31, 2012 and its OSS/CR RSM until March 31, 2013 for the reasons detailed above.

³ *In the Matter of: the Application of Columbia Gas of Kentucky, Inc., to Extend its Gas Cost Incentive Program and its Off-System Sales and Capacity Release Revenue Sharing Mechanism*, PSC Case No. 2008-00433, Interstate Gas Supply, Inc.'s Initial Comments Regarding Columbia's Application (January 9, 2009) at 1.

⁴ *In the Matter of: the Application of Columbia Gas of Kentucky, Inc., to Extend its Gas Cost Incentive Program and its Off-System Sales and Capacity Release Revenue Sharing Mechanism*, PSC Case No. 2008-00433, Application of Columbia Gas of Kentucky, Inc. (October 3, 2008) at 3.

⁵ *In the Matter of: the Application of Columbia Gas of Kentucky, Inc., to Extend its Gas Cost Incentive Program and its Off-System Sales and Capacity Release Revenue Sharing Mechanism*, PSC Case No. 2008-00433, Reply of Columbia Gas of Kentucky, Inc. to Interstate Gas Supply, Inc.'s Initial Comments (February 9, 2009) at 2-3.

Dated this 19th day of February 2009.

Respectfully Submitted,

COLUMBIA GAS OF KENTUCKY, INC.

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February 19, 2009

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Reply Comments of Columbia Gas of Kentucky, Inc. To Interstate Gas Supply, Inc.'s Initial Comments was served upon all parties of record by regular U. S. mail this 19th day of February, 2009.

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