

July 23, 2009

**VIA OVERNIGHT MAIL**

Mr. Jeff Derouen  
Executive Director  
Public Service Commission  
Commonwealth of Kentucky  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, KY 40602

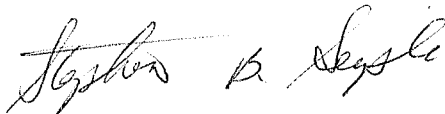
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**RE: Case No. 2009-00141**

Dear Mr. Derouen,

Enclosed for filing are the original and eleven (11) copies of Columbia Gas of Kentucky, Inc.'s responses to IGS' Requests for Information. Please docket the original under seal as well as the ten (10) redacted copies and return the extra copy to me in the self addressed stamped envelope enclosed. Should you have any questions about this filing, please contact me at 614-460-4648. Thank you.

Sincerely,



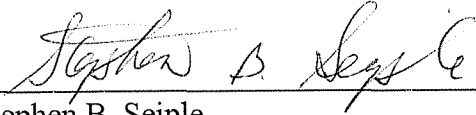
Stephen B. Seiple  
Assistant General Counsel

Enclosures

cc: All Parties of Record  
Hon. Richard S. Taylor

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing Responses of Columbia Gas of Kentucky, Inc., were served upon all parties of record by regular U. S. mail this 23<sup>rd</sup> day of July, 2009.



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**COLUMBIA GAS OF KENTUCKY, INC.  
RESPONSE TO FIRST DATA REQUEST OF IGS**

Data Request 001:

Pursuant to p. 4 of Erich Evans' testimony, Columbia references customer inquiries regarding fixed price commodity services, please detail the name, address and date of each individual that has made such an inquiry.

(a) How does Columbia respond to these customer questions? Does the response include providing the customer with details regarding the choice program, if so what details?

(b) Provide all information that Columbia provides to customers in response to such inquiries.

**Response:**

a. In late 2008 and early 2009 Columbia conducted a face to face survey of some of its large commercial and industrial customers. The intent of the survey was to find out how the customer's viewed Columbia. In that survey, over 50% of the customers stated that they were interested in Columbia having the ability to offer negotiated rates for commodity. Since it was a survey, Columbia did not provide a response to the customers.

b. Columbia has made no such responses.



**COLUMBIA GAS OF KENTUCKY, INC.  
RESPONSE TO FIRST DATA REQUEST OF IGS**

Data Request 002:

Pursuant to p. 4 of Erich Evan's testimony, Columbia references "shielding" GCA from price risk associated with customers electing PPS and NSS.

- (a) How is Columbia going to ensure that the GCA is being insulated from any losses?
- (b) How is Columbia going to insulate the GCA from all the associated costs (wages, systems, accounting, contracting, collection) etc?

**Response:**

- a. The GCA would be shielded from any losses because all costs associated with PPS and NSS would be separate from the GCA.
- b. The GCA is the cost of gas that Columbia purchases for the sales service customers. Only the cost of gas is included, and the GCA does not include any costs for wages, systems, accounting, contracting, collection, or other costs.



**COLUMBIA GAS OF KENTUCKY, INC.  
RESPONSE TO FIRST DATA REQUEST OF IGS**

Data Request 003:

Pursuant to p. 5 of Erich Evan's testimony, Columbia indicates it will not purchase specific streams of gas supply for PPS and NSS. As such, how is Columbia going to determine which purchases are for which program?

**Response:**

Since Columbia is not purchasing specific streams of gas for PPS or NSS there is no need to determine which purchases are for which program. Only with streamed supplies of gas is it necessary to determine which purchases are for which program.





**COLUMBIA GAS OF KENTUCKY, INC.  
RESPONSE TO FIRST DATA REQUEST OF IGS**

Data Request 004:

Pursuant to p. 5 of Erich Evans' testimony, Columbia references pricing management pursuant to natural gas future contracts.

(a) How will Columbia recover the cost associated with its hedges, including final settlement of the hedge positions each month?

(b) Without a physical offset for each hedge, is Columbia speculating on the futures market?

**Response:**

- a. Columbia will recover the costs of the hedges through the commodity charges to the PPS and NSS customers.
- b. No, the WACOG is the offset for the hedges.



**COLUMBIA GAS OF KENTUCKY, INC.  
RESPONSE TO FIRST DATA REQUEST OF IGS**

Data Request 005:

Pursuant to p. 5 of Erich Evans' testimony, Columbia references pricing management pursuant to natural gas future contracts.

(a) How will Columbia recover the cost associated with its hedges, including final settlement of the hedge positions each month?

(b) Without a physical offset for each hedge, is Columbia speculating on the futures market?

**Response:**

Please see Columbia's response to IGS data request number 1-4.



**COLUMBIA GAS OF KENTUCKY, INC.  
RESPONSE TO FIRST DATA REQUEST OF IGS**

Data Request 006:

Pursuant to p. 5 of Erich Evans' testimony, Columbia references crediting costs from the PPS and NSS back to the GCA to insulate the GCA. How does streaming costs back to the GCA for PPS and NSS programs insulate the GCA?

**Response:**

Page 5 of Erich Evans' testimony mentions the crediting of the GCA based on the monthly WACOG, this would not be streaming costs to the GCA. The credits are for the gas used by PPS and NSS customers. Further, Pages 10 through 14 of Erich Evans' testimony explain the credits to the GCA. As explained in the response to the Attorney General's request set 2 numbers 49 and 50 these credits keep the GCA whole from the gas supplied to PPS and NSS.



**COLUMBIA GAS OF KENTUCKY, INC.  
RESPONSE TO FIRST DATA REQUEST OF IGS**

Data Request 007:

Pursuant to p. 6 of Erich Evans' testimony, Columbia references "Commodity and Demand Credits to the GCA" as a major design element of PPS and NSS.

- (a) If a sales customer locks in a price with Columbia, regardless of whether it is a fixed or variable price, is the price and service firm (meaning that the price will not change regardless of whether there is a critical day called)?
- (b) Likewise, are any of the demand charges going to be included in the price of the commodity?
- (c) If not, how will Columbia ensure that the PPS NSS program does not interfere with the competitive market where the demand charges have to be included in the commodity costs to be recovered by the supplier?
- (d) Lastly, with regard to the bad debt for the commodity program will Columbia include it in the current recovery mechanism?

**Response:**

- a. For customers electing a fixed price for PPS and NSS would have a firm price for the term of their contract. In the case of supply, PPS customers would receive firm supply, while NSS customers supply would be firm only up to the level of firm supply for which they have contracted per the proposed tariff.
- b. For PPS the demand charges would be included in the price of the gas commodity. For NSS the demand charges would vary based on their contract and the tariff.
- c. As filed PPS and NSS are sales service rates and the demand charges would be equivalent to what other sales service customers pay.
- d. No.





**COLUMBIA GAS OF KENTUCKY, INC.  
RESPONSE TO FIRST DATA REQUEST OF IGS**

Data Request 008:

Pursuant to p. 6 of Erich Evans' testimony, Columbia references that, "the customer will not see any reconciliation because Columbia takes all of the price risk."

- (a) However, if there is no streaming of natural gas to a specific group or customer, how is the physical gain/loss tracked and reconciled?
- (b) If a customer leaves before the end of the contract and the cancellation fee is capped at \$60, who takes the risk on the loss on contract?
- (c) Does Columbia keep the \$60 cancellation fee?
- (d) Is the cancellation fee not paid ultimately made part of the bad debt charge, and if so is it in the base rates of all customers, sales, other?

**Response:**

- a. The physical gain or loss will be tracked through the difference between the WACOG and the customers contracted price of gas.
- b. Columbia
- c. Yes
- d. No



**COLUMBIA GAS OF KENTUCKY, INC.  
RESPONSE TO FIRST DATA REQUEST OF IGS**

Data Request 009:

How is the PPS NSS program and different than the competitive market? Is Columbia intending to make a profit on this program?

**Response:**

PPS and NSS are different than the competitive market. The biggest difference is that they are regulated tariffs and the prices are filed with the PSC. In the case of PPS the price will be filed 30 days in advance of it being offered to customers. In the case of NSS the contract will be filed with the PSC. Competitive suppliers do not file contracts or prices with the PSC and are free from PSC regulation. If Columbia can efficiently manage and administer the programs, there will be an opportunity for Columbia to make a profit on these programs.



**COLUMBIA GAS OF KENTUCKY, INC.  
RESPONSE TO FIRST DATA REQUEST OF IGS**

Data Request 010:

Pursuant to p. 7 of Erich Evans' testimony, Columbia references that it intends to seek confidential treatment for the PPS fixed prices.

- (a) Why does Columbia seek confidential treatment for this program? How often will Columbia file fixed price offers?
- (b) What about the NYMEX based variable prices, will those be filed as well?

**Response:**

a. Columbia only intends to seek confidential treatment when it files the prices since the prices must be filed 30 days before they can be offered to customers. Due to that time delay it will be necessary to keep the prices confidential until they can be offered to customers. Otherwise, marketers such as IGS will have an unfair competitive advantage if they have access to the prices that Columbia has filed to offer to PPS customers. Columbia will file prices as often as necessary to provide the best rates to customers.

b. Yes.



**COLUMBIA GAS OF KENTUCKY, INC.  
RESPONSE TO FIRST DATA REQUEST OF IGS**

Data Request 011:

Pursuant to p. 7 of Erich Evans' testimony, Columbia references that it intends to market the PPS NSS program on its website and use the call center as well.

- (a) Is this the same website that has information about the other competitive suppliers?
- (b) Will Choice products be provided equal treatment on the Columbia website, and if not, how will the costs be differentiated?
- (c) Will the call center representatives that will be taking calls for PPS and NSS products also be taking calls from customers about Choice products and marketers?
- (d) Will the call center be selling PPS NSS products to customers that call, and if so will they also be providing equal information about competitive offers?
- (e) Will the costs of the call center representatives be differentiated, and if so how will the costs be recovered?
- (f) How long will enrollment in the product take and how does it compare to the enrollment timing for choice and GTS?
- (g) When Columbia advertises for PPS, will it also advertise for Choice?

**Response:**

- a. This would be Columbia's website that contains the tariff and the services offered by Columbia.
- b. Columbia's website will list PPS and NSS along with the other services offered by the utility. Likewise the Choice marketers have information on their services on their own website.
- c. The call center representatives will be taking call on PPS, NSS and other products offered by the utility.



- d. Yes, Columbia's call center will be selling PPS and NSS. No, Columbia's call center will not be selling services for other companies.
- e. The costs for the call center are included in Columbia's base rates for all of Columbia's customers.
- f. The enrollment process will be like any other customer enrolling in a sales service rate.
- g. No.



**COLUMBIA GAS OF KENTUCKY, INC.  
RESPONSE TO FIRST DATA REQUEST OF IGS**

Data Request 012:

Pursuant to p. 8 of Erich Evans' testimony, Columbia references several different methodologies (e.g. direct mail and the call center) to enroll in the PPS NSS program.

- (a) Will all of these options be made available to choice?
- (b) How will Colombia track the costs associated with these offering methodologies, and recover the costs?

**Response:**

- a. Choice marketers are free to advertise and market as they choose.
- b. The cost for advertising PPS and NSS will be tracked separately. The costs for advertising will be recovered through the commodity charges for PPS and NSS customers.



**COLUMBIA GAS OF KENTUCKY, INC.  
RESPONSE TO FIRST DATA REQUEST OF IGS**

Data Request 013:

Pursuant to p. 8 of Erich Evans' testimony, Columbia referenced choosing to "utilize the common pool of supply for providing service to PPS and NSS." How does this insulate GCA customers from the costs of the program?

**Response:**

Page 9 of Erich Evans' testimony states that, "Columbia has chosen to utilize a common pool of supply for providing service to PPS and NSS." As explained on page 10 and 11 of Erich Evans' testimony, the use of a common pool of supply protects the GCA by crediting the GCA for the gas that is used by PPS and NSS customers. An example of this can be found with the response to the questions posed in Attorney General set 2 numbers 49 and 50.



**COLUMBIA GAS OF KENTUCKY, INC.  
RESPONSE TO FIRST DATA REQUEST OF IGS**

Data Request 014:

Pursuant to p. 12 of Erich Evans' testimony, Columbia referenced, "[t]he customer may pay ...the demand rate specified under Columbia's Standby Service Rate Schedule." Are these the same rates that transport customers will pay if they transport with a supplier?

**Response:**

NSS customers will have the option of electing an amount of firm service. The demand costs that they would pay would be the same as the rates a Delivery Service customer would pay if they elected standby service in order to get firm service.





**COLUMBIA GAS OF KENTUCKY, INC.  
RESPONSE TO FIRST DATA REQUEST OF IGS**

Data Request 015:

Natural Gas Marketers pay several fees for the right to transport in the Choice Program.

- (a) Will the PPS customers pay the same fees, such as the 5 cent throughput fee?
- (b) Likewise, the current discount to the receivable is 2% for Choice

Marketers, how will this be taken into consideration?

**Response:**

- a. PPS is a sales service rate and the customers will be subjected to the same fees as sales customers with the exception that they will contract for the commodity price of the gas.
- b. The PPS program will be subjected to the actual uncollectible rate. The PPS commodity charges will not be included in the gas cost uncollectible rider, therefore Columbia's PPS program could be subjected to uncollectible costs higher than 2% for the PPS and NSS programs.



**COLUMBIA GAS OF KENTUCKY, INC.  
RESPONSE TO FIRST DATA REQUEST OF IGS**

Data Request 016:

With regard to “Program Administration” of PPS and NSS, please explain how Columbia will differentiate and “charge those costs to the specific services causing the cost incurrence” (p. 14 of Erich Evan's testimony)? Also, please provide a cost model articulating that all of these costs will be added to the commodity price.

**Response:**

The costs will be tracked separately through accounting as they are incurred by Columbia.

A cost or pricing model has not yet been developed for PPS or NSS.