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November 1, 2010

HAND DELIVERED

Hon. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40601

RECEIVED

NOV 01 2010

PUBLIC SERVICE
COMMISSION

Re: Case No. 2010-00146

Dear Mr. Derouen:

Please find enclosed for filing an original and ten (10) copies of the Post-Hearing Brief of Delta Natural Gas Company, Inc. in the above-captioned case. Please place it with the other papers in the case and bring it to the attention of the Commission. Thank you in advance for your assistance.

Sincerely,

Robert M. Watt, III

rmw:
Enclosures
cc: Parties of Record (w/ encl.)

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NOV 01 2010

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

* * * * *

POST-HEARING BRIEF OF DELTA NATURAL GAS COMPANY, INC.

This Post-Hearing Brief is respectfully submitted by Delta Natural Gas Company, Inc. pursuant to the procedural schedule in this proceeding.

INTRODUCTION

Delta Natural Gas Company, Inc. (“Delta”) appreciates the opportunity to provide its views on the issue of expanded retail competition in the natural gas industry in Kentucky. This Commission currently permits local distribution gas companies (“LDCs”) to apply to the Commission for permission to offer all their customers, including residential customers, the choice of a natural gas supplier different from their LDC, such as the Columbia Gas of Kentucky, Inc. (“Columbia”) customer CHOICE program, but does not require LDCs to offer such programs. While the evidence presented at the hearing in this proceeding would indicate that Columbia’s customers would have been cumulatively better off staying with Columbia for their gas supplies, Delta has no objection to the current Commission policy of permitting LDCs to offer such programs. Delta does not believe, however, that LDCs should be required to offer all their customers, including residential customers, the choice of natural gas suppliers different from their LDCs. In other words, Delta is in favor of maintaining the status quo.

SNAPSHOT OF DELTA

Delta is the smallest of the five LDCs that are parties to this proceeding. It serves approximately 37,000 residential, commercial and industrial customers in 23 central and southeastern Kentucky counties.¹ Delta has 155 employees and is a stand alone investor owned utility.² Most of its industrial customers purchase their gas supplies from others.³ Delta provides transportation service to 53 industrial and commercial customers who purchase their gas from others.⁴ Delta's firm transportation service tariff requires the customer to transport a minimum of 25 mcf of gas per day in order to use the service.⁵ None of Delta's residential customers purchase gas from others and Delta has no residential program along the lines of the Columbia CHOICE program.

Delta has three wholly-owned subsidiaries, one of which, Delta Resources, Inc. ("Delta Resources"), provides marketing services by purchasing gas and reselling it to customers on Delta's system. It is currently providing gas supplies to 31 of Delta's 53 transportation customers.⁶ It does not supply gas to Delta's larger customers or to its special contract customers. Delta Resources does not provide gas to Delta.

GENERAL ASSEMBLY RESOLUTION AND DELTA'S POSITION

On April 12, 2010, House Joint Resolution 141 was enacted and signed by the governor. There the General Assembly directed the Commission to "commence a collaborative study of natural gas retail competition programs to determine if benefits could be derived from these programs, and to determine whether natural gas retail competition programs could be crafted to

¹ Glenn R. Jennings Direct Testimony ("Jennings Direct") at 2.

² Id.

³ Id. at 3.

⁴ Response to Stand Energy Corporation's First Information Request ("Stand DR") Item 1-9(A).

⁵ Jennings Direct at 3.

⁶ Revised Response to Stand DR, Item 1-9(B).

benefit Kentucky consumers.”⁷ Thereupon, this proceeding was initiated by order dated April 19, 2010. Initially, the five largest LDCs in Kentucky, Louisville Gas and Electric Company (“LG&E”), Columbia, Duke Energy Kentucky, Inc. (“Duke”), Atmos Energy Corporation (“Atmos”) and Delta were made parties. Since then the Commission granted full intervention to several marketers, to three consumer advocates and to the Attorney General. All parties have been given a full opportunity to present their views on the issue posed by the General Assembly to the Commission, including at a hearing conducted over two full days. The views of the parties ran the full gamut from forbidding retail competition (consumer advocates) to mandating full retail competition (marketers). Delta’s position is at the mid-point of these two extremes. It believes that the status quo should be maintained, e.g., that LDCs may offer transportation service to as many of their customers as is economically feasible, provided the programs are examined and approved by the Commission in advance. In addition, the programs should be continuously monitored and all reasonable steps should be taken to ensure that the LDCs’ customers are treated fairly by both the LDCs and any suppliers that participate in the programs. Delta is concerned that retail competition programs could possibly frustrate customers or even that marketers could take advantage of LDCs’ customers, with the ultimate result being that customers would switch from natural gas as their energy source to other sources.

In House Joint Resolution 141, the General Assembly identified 15 elements that should be considered by the Commission in its collaborative study of expanded retail competition.⁸ Those elements will be discussed in order below.

⁷ Order dated April 19, 2010, herein at 4.

⁸ Order dated April 19, 2010, herein at 4-5.

1. The role of the Commission in a competitive marketplace.

There seems to be little disagreement on this element. The role of the Commission must be significantly expanded in a competitive marketplace. Delta believes that the role of the Commission should be to insure fairness and to protect consumers against unfair or misleading advertising and promotion of programs.⁹ The marketers set forth more specific tasks that should be assigned to the Commission in a competitive marketplace.

Howard Petricoff, testifying on behalf of Interstate Gas Supply, Inc., SouthStar Energy Services LLC and Vectren Retail, LLC, (collectively, “IGS”) said that retail suppliers favor a certification process so that only marketers with expertise and financial wherewithal are licensed to make sales.¹⁰ During the hearing Mr. Petricoff stated that the Commission is the entity that should establish the criteria for certification and conduct the certification process.¹¹ Mr. Petricoff said that the Commission should formulate codes of conduct for utilities and marketers.¹² He also said that the Commission should evaluate complaints arising out of the codes of conduct relating to both utilities and marketers.¹³ Mr. Petricoff said that bonding and certification as to the skills necessary to assure that marketers can perform necessary actions to administratively establish pools, schedule in the gas and assist the utility in balancing the difference must be done by the Commission.¹⁴

Teresa Ringenbach, testifying on behalf of the Retail Energy Supply Association, said, “In any competitive marketplace, the Commission role shifts from approving commodity procurement prices and costs to a key role in the design, maintenance and protection of the

⁹ Jennings Direct at 4-5.

¹⁰ Rebuttal Testimony of Howard Petricoff (“Petricoff Rebuttal”) at 8.

¹¹ VR: 10/20/10; 10:24:07.

¹² Petricoff Rebuttal at 8; VR:10/20/10; 10:25:04. Mr. Petricoff acknowledged at the hearing that he was aware of, but not totally familiar with, the code of conduct in Kentucky’s affiliate transaction rules. VR: 10/20/10; 10:25:28.

¹³ VR:10/20/10; 10:28:24.

¹⁴ Petricoff Rebuttal at 8; VR: 10/20/10; 10:28:42.

market.”¹⁵ She went on to state that the Commission would have the duty of ensuring competitively neutral practices, a strong residential consumer protection policy, clear residential marketing rules (and the enforcement of those rules), the development and enforcement of rules regarding utility affiliate misconduct and the development and enforcement of rules regarding utility gaming in connection with access, storage and transportation.¹⁶ She said, “It is imperative that the Commission create an office or staff for the competitive community.”¹⁷ Ms. Ringenbach noted in her direct testimony that Pennsylvania and Illinois both have offices of retail market development.¹⁸

Delta concurs with Mr. Petricoff and Ms. Ringenbach as to the role of the Commission should retail competition be expanded in Kentucky. Given the state of the economy and the limited availability of funds in Kentucky to provide for such expanded activities, Delta believes that the Commission should take no steps to disturb the status quo until it has been assured that it will have the resources to perform all of these functions, and others that are sure to arise.

2. The obligation to serve.

The obligation to serve has traditionally been a utility obligation in Kentucky. If retail competition is expanded to the residential level, Delta believes that the obligation should remain with the LDC as it has the infrastructure in place to provide the service.¹⁹ Delta believes, however, that if an LDC continues to have the obligation to serve customers who are receiving their supply from marketers, then the cost of maintaining that ability should be allocated so that the LDC’s remaining customers are not bearing that cost.²⁰

¹⁵ Direct Testimony of Teresa L. Ringenbach (“Ringenbach Direct”) at 7.

¹⁶ Id.

¹⁷ Ringenbach Direct at 8.

¹⁸ Id.

¹⁹ Jennings Direct at 5.

²⁰ Id.

3. The supplier of last resort.

If LDCs are required to offer retail choice programs, then the supplier of last resort should be the LDC.²¹ As the news articles from Georgia, Illinois and Ohio that were included in the testimony in this proceeding demonstrate, there were several occasions in which the marketers in those jurisdictions failed to perform or went out of business. The customers should not be victimized if their marketer fails to perform and the LDCs are in the best position to be the supplier of last resort. As with the obligation to serve, above, the cost of standing ready as the supplier of last resort should be allocated so that the LDC's remaining customers are not bearing the cost of having that service available in the event retail competition is expanded to the residential level.²²

4. Alternative commodity procurement procedures.

Delta believes that the adoption of alternative commodity procurement procedures might not be required unless the LDCs are required to exit the merchant function,²³ which has not been proposed by any party to this proceeding.

5. Non-discriminatory access to services offered.

Delta provides non-discriminatory access to all services it offers and believes that all LDCs in this proceeding do as well.²⁴ Likewise, marketers should be required to provide non-discriminatory access to the services they offer to discourage the cherry picking of customers. As indicated above in respect of the Commission's role, Delta believes that one of the Commission's roles with expanded competition should be to formulate and enforce rules requiring no discrimination.

²¹ Id. at 6.

²² Id.

²³ Id.

²⁴ Id.

6. Codes of conduct for marketers and affiliates of regulated utilities.

Delta believes that codes of conduct should be in place for marketers as well as for affiliates of utilities. Currently, the code of conduct for affiliates of utilities is already in place at KRS 278.2201-2219 and needs no modifications. There is no additional code of conduct for marketers in Kentucky and, as Mr. Petricoff and Ms. Ringenbach recommended, one should be required for marketers. The code of conduct for marketers should focus on the protection of customers from misleading and deceptive practices, such as those reported when Georgia, Illinois and Ohio initially expanded competition. The code of conduct for marketers should also require fair and complete billing to customers if it is done by the marketers.²⁵

7. Billing which should include the desirability of the purchase of receivables.

Billing issues do not arise unless retail competition is expanded to the residential level. Delta believes that if residential customers are offered a choice of suppliers, the customers should understand who will be billing them, who they will pay for the services, what services they will receive and what the price risks are.²⁶ In the Columbia CHOICE program, Columbia purchases receivables from the marketers and pays 98% of the amount of the receivables. Assuming that 2% is reasonable compensation for purchasing the receivables, including billing services, the risk of loss by nonpayment and other costs incurred relating to billing for the suppliers, then Delta would have no objection to such an approach if it is required to offer residential customers the choice of suppliers. In any event, the LDC should be compensated for the cost of providing billing services regardless of the level of the cost.

²⁵ Id. at 7.

²⁶ Id.

8. Certification of suppliers.

Delta believes that the Commission should establish and administer a program for the certification of retail choice suppliers.²⁷ Mr. Petricoff and Ms. Ringenbach, testifying on behalf of marketers, both recommended that the Commission should establish and administer a robust supplier certification program. According to the news reports submitted in this proceeding, some states failed to establish and administer supplier certification programs and the result was the participation in retail choice programs of unethical suppliers and marketers who failed to perform. The customers, of course, were the persons who were harmed as a result of those failures. Delta further believes that any additional oversight costs incurred by the Commission associated with retail choice should be the responsibility of the marketers.²⁸

9. Transition costs.

In the event expanded retail competition is mandated, the LDCs will necessarily incur transition costs attributed solely to the requirement to offer such programs. These costs must be borne by the marketers who are using the LDCs' facilities in expanded competition.²⁹

10. Stranded costs.

If retail competition is expanded to the residential customers, then LDCs could likely experience stranded costs in connection with interstate pipeline capacity and storage capacity.³⁰ It is difficult to determine the level of these stranded costs because the level will depend on whether the marketers will use their capacity or the LDCs' capacity to provide the gas, whether the LDC will be the supplier of last resort, whether there is further partial or complete residential retail choice and undoubtedly other considerations. Whatever level of stranded costs are experienced by the LDCs resulting from the requirement to offer retail choice to residential

²⁷ Id. at 8.

²⁸ Id. at 9.

²⁹ Id.

³⁰ Id. at 10.

customers, those costs must be borne by the marketers and not borne by the LDCs' remaining customers who are not participating in the choice program.³¹

11. Uncollectibles.

Uncollectibles that relate to the marketers' business with LDC customers should be the marketers' responsibility.³² The LDC's method of obtaining payment for the uncollectibles should be determined by the LDC and could be direct billing from the LDC to the marketer whose customer fails to pay or it could be included in the fee for purchasing receivables as described in the billing section above.

12. Disconnections.

Marketers do not have the right to disconnect a customer from a LDC's system for non-payment. Thus, any disconnections in retail choice programs must be done by the LDCs. The difficulty arises when marketers bill the end users directly and the end user pays the LDC but not the marketer. In that instance, Delta believes that the marketer does not have the right to disconnect the customer from the LDC's system. It should be the responsibility of the marketer to develop terms in its contract with the end user so that the marketer is protected from the non-paying end user. If the LDC is billing for the distribution service as well as for the marketer's gas, then the disconnection rules should not be altered.

13. Steps necessary to maintain system integrity.

System integrity is vital to LDCs. A retail choice program must not threaten the integrity of the LDCs' distribution systems. Thus, any expanded retail competition programs must ensure that the LDCs maintain system integrity. System balancing is one example of steps necessary to maintain system integrity. Clay Murphy, testifying on behalf of LG&E, said that distribution

³¹ Id.

³² Id.

systems must be balanced daily.³³ Mr. Petricoff said that marketers must assist the utility in balancing. He went on to say that the Commission's certification process must assure that marketers have such balancing skills.³⁴ LDCs' customers have understandably come to expect that natural gas will be available every time the customers need it. Any degradation of system integrity would diminish the reliability that is currently always present in LDCs' systems. Thus, the Commission must assure that system integrity will be maintained in any retail choice program.

14. Access to pipeline storage capacity.

Delta believes that LDCs should not be required to provide pipeline storage capacity to marketers.³⁵ In the marketer certification process that would be developed with expanded retail competition, the Commission should require marketers to have appropriate pipeline storage capacity to meet the needs of their customers. Delta is aware of nothing that would prevent the marketers from acquiring pipeline storage capacity on their own. If LDCs are required to exit the merchant function, consideration should be given to avoidance of stranded costs.

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

If there is any likelihood that new natural gas competition programs could adversely affect existing utility services and customers, then plans to implement such programs should be halted immediately. Delta is concerned that retail choice programs at the residential level could cause customer confusion and, thus, a diminution of customer confidence in the LDCs.³⁶ If the diminished confidence spreads to customers who still purchase gas from the LDCs, then the retail choice programs have produced an undesirable result. Delta is especially concerned that

³³ VR: 10/19/10; 15:19:57.

³⁴ Petricoff Rebuttal at 8.

³⁵ Jennings Direct at 11.

³⁶ Id. at 12.

retail choice programs could cause such dissatisfaction with gas providers that customers would switch to other energy sources.³⁷ This is the worst case scenario for customers, LDCs and marketers alike. Therefore, any consideration of expanded retail competition should not lose sight of this disastrous possibility.

OTHER DELTA CONCERNS

While there may be some aspects of expanded retail competition that could be considered facially attractive, Delta believes that the Commission must not lose sight of the fact that it has not been successful in Kentucky to date. Columbia's pilot CHOICE program has not been selected by a significant percentage of Columbia's customers in the ten years of its existence. The cumulative results of those customers who participated in the CHOICE program compared to those who continued to purchase their gas supplies from Columbia are telling: CHOICE customers have paid \$17,280,299 more than Columbia's other customers.³⁸ Evidence in this proceeding establishes that marketers cannot, particularly in the long run, purchase natural gas less expensively than the LDCs.³⁹ Delta provides natural gas to customers at cost, with no mark-up. The marketers have indicated that they mark-up the cost of gas to include their costs and their profit margin. Due to timing and the quarterly workings of the gas cost recovery mechanisms, there could be certain times where shopping customers might benefit in the short term, if gas prices move in the direction to make that happen. But Delta believes this cannot happen over the longer term, as indicated by the \$17 million in losses in the Columbia CHOICE program. Delta does not desire such results for its customers.

³⁷ Id.

³⁸ ISV Hearing Exhibit 3.

³⁹ See, for example, page 1 of ISV Hearing Exhibit 3, which shows that Columbia customers paid more in the CHOICE program 6 of the 10 years in the pilot program than they would have paid if buying their gas from Columbia.

Jack Burch, testifying on behalf of Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. (“CAC”) said that CAC operated a natural gas marketing company within the Columbia CHOICE program from December 2001 through June 2004 for the purpose of providing collective buying power to low-income and other customers.⁴⁰ He said, “The operation was discontinued in 2004 after [CAC] found that it was extremely difficult, if not impossible, to operate an independent retail marketing company and offer a fair price to consumers.”⁴¹ Thus, actual experience in Kentucky has demonstrated that retail choice customers have paid more for gas than customers who received their supply from LDCs.⁴² The marketers’ claims that customers are interested in locking in their gas prices regardless of cost⁴³ strain credulity. The chart in Mr. Petricoff’s hearing exhibit demonstrated that a customer that locked in its gas price for one year at the NYMEX price of approximately \$13 per MMBtu in mid-2008 was paying approximately \$10 per MMBtu more than the NYMEX price at the end of the term.⁴⁴ Mr. Burch testified unequivocally that CAC’s clients should not have to pay more for their gas than they might otherwise be required to pay.⁴⁵ These factors clearly militate against mandated customer choice programs.

The marketers’ claim that Kentucky customers want retail choice programs is unpersuasive. Ellen Williams, testifying on behalf of IGS, said that she is a consultant for an organization she called Kentucky Consumers for Energy Choice (“KCEC”),⁴⁶ which supports

⁴⁰ Jack E. Burch Direct Testimony (“Burch Direct”) at 6.

⁴¹ *Id.*

⁴² This is not surprising since the LDCs charge their customers the LDCs’ cost for gas, usually the prevailing NYMEX price, with no markup while at least one marketer, Stand Energy Corporation, charges the NYMEX price plus an adder. VR: 10/20/10; 15:12:52.

⁴³ Donald L. Mason Direct Testimony (“Mason Direct”) at 6; Rebuttal Testimony of Ellen Williams (“Williams Rebuttal”) at 2.

⁴⁴ ISV Hearing Exhibit 3.

⁴⁵ VR: 10/20/10; 18:55:12.

⁴⁶ The website of KCEC identifies the organization as Kentucky Consumers for Energy Competition.

providing choices for residential consumers.⁴⁷ She testified that KCEC sent information packets to 22,000 residential consumers and over 6,000 responded that they supported residential choice.⁴⁸ IGS's response to post-hearing data requests, however, demonstrates that KCEC's survey has little probative value. The list of 22,000 persons consisted of persons already enrolled in Columbia's CHOICE program.⁴⁹ If only 6,000 out of 22,000 customers in the Columbia CHOICE program responded that they supported residential choice programs, the survey hardly produced a mandate in favor of choice. Ms. Williams also testified that KCEC sent out a letter to 1,000 of its members asking if they would like to support retail choice programs throughout the Commonwealth and over half of them responded in the affirmative.⁵⁰ Since the 1,000 persons to whom the letter was sent were participants in Columbia's CHOICE program and had previously indicated support for retail choice, it is not surprising that half of the 1,000 persons would support statewide retail choice. In other words, the result of the survey was determined before it was sent.⁵¹ In any event, at the hearing Ms. Williams acknowledged that the respondents to the survey constituted only approximately .06 per cent of the residential and commercial gas consumers in Kentucky. Again, this is hardly a mandate in favor of retail choice.

Delta is also concerned that a mandated retail choice program will have a disproportionate adverse impact on Delta. Delta is the smallest LDC in this proceeding and does not have the resources available to it that the other four LDCs have. Thus, Delta cannot simply say that it will make retail choice available to its customers without incurring costs for new

⁴⁷ Williams Rebuttal at 1.

⁴⁸ *Id.* at 1-2.

⁴⁹ IGS Response to Post Hearing Data Requests of Commission Staff, Item 1(b).

⁵⁰ Williams Rebuttal at 2.

⁵¹ The KCEC survey would be comparable to a survey sent to 1,000 Kentucky basketball fans asking if they would be in favor of Kentucky beating Duke.

employees, for new information technology systems, for modifications to its customer information system and very likely other costs not currently known.

STAND ENERGY CORPORATION

Stand Energy Corporation (“Stand”) was permitted to intervene in this proceeding and took positions regarding the marketing of natural gas that is somewhat different from the position of the other marketers. It makes a distinction between “gas transportation” and “customer CHOICE.”⁵² Stand is a proponent of “gas transportation” for small industrial and commercial customers and is not as concerned about “customer CHOICE” for residential customers. Stand’s Vice-President of Regulatory Affairs, Mark Ward, urged the Commission to eliminate “unrealistic barriers that exist in the tariffs of Kentucky’s major natural gas utilities that would allow Kentucky’s smaller industrial and commercial companies, including schools [sic] systems and government facilities, the option of natural gas Transportation Services.”⁵³ Mr. Ward’s testimony speaks volumes: Stand wants the Commission to revise previously approved tariffs to enable Stand to cherry pick the LDCs’ favorable load factor customers. Delta’s tariff requirement for 25 mcf per day for transportation eligibility is reasonable considering the other LDCs’ tariff requirements. Moving to a lower level could drive up administrative costs for the the transportation service without suitable benefits to potential customers given the already low eligibility threshold used by Delta. While Stand’s proposition would undoubtedly benefit Stand, it would be very harmful to the LDCs and their remaining customer base. The most obvious example of the harm was discussed during the hearing. If Stand is permitted to cherry pick the favorable load factor customers, then the LDCs will be left with high load factor customers.⁵⁴ In order for the LDCs to provide uninterrupted supply to these remaining customers, the interstate

⁵² Testimony of John M. Dosker (“Dosker Direct”) at 11.

⁵³ Testimony of Mark Ward (“Ward Direct”) at 2-3.

⁵⁴ VR:10/20/10; 18:35:30.

pipeline charges could be higher. Also, this could result in less bargaining power for gas purchasing and lead to increased gas costs for LDCs customers.

In addition, rather than addressing increased competition, Stand seeks to restrict the competitive activities of unregulated utility affiliates.⁵⁵ Messrs. Dosker and Ward complained in their testimony about Delta Resources⁵⁶ and Atmos Energy Marketing in vague terms suggesting that they compete improperly.⁵⁷ Delta and Delta Resources follow the affiliate rules set forth in KRS 278.2201-2219. Delta has a cost allocation manual that is followed relative to affiliates. Costs are appropriately segregated and allocated and Delta Resources bears its appropriate portion of costs on its books and records. This includes the appropriate cost of shared employees. Delta Resources is considered and appropriately treated in Delta's general rate cases and has been for many years. Delta Resources does not sell gas to Delta. Delta transports gas for Delta Resources and unaffiliated suppliers to Delta's on-system customers under the same Delta transportation tariffs. The activities of Delta and Delta's affiliates have been reviewed by the Commission. In May, 1992, Delta received a comprehensive management audit from the Commission. In November, 2002, Delta received an audit from the Commission to review LDCs, including Delta, and to focus on their natural gas planning and procurement strategies. No inappropriate affiliate transactions were indicated in these audits. Delta's most recent general rate case was concluded on October 21, 2010, and there were no suggestions or implications of improprieties between Delta and its affiliates. Stand's testimony about Delta Resources and Atmos Energy Marketing is an inflammatory effort to cause the Commission to enable Stand to cherry pick Delta's and Atmos' favorable large commercial and small industrial customers. It should be rejected out of hand.

⁵⁵ Dosker Direct at 5.

⁵⁶ Referred to as "Delta Energy Marketing" in the testimony of Mr. Dosker.

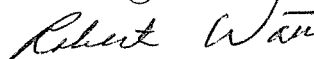
⁵⁷ Dosker Direct at 5-8; Ward Direct at 10-11.

CONCLUSION

The Columbia pilot CHOICE program has resulted in cumulatively higher gas prices for Kentucky consumers over the ten years of its existence. There is no credible evidence of a groundswell of customer demand for residential choice programs. The consumer advocates and LG&E introduced persuasive evidence that expanded retail competition may be harmful to the LDCs and to consumers. Therefore, Delta favors maintaining the status quo with respect to natural gas retail competition programs in Kentucky. The Commission should reject Stand's brazen request for the Commission to enable it to take the LDCs' customers. If, however, the Commission considers expansion of retail competition programs, then its duties must be significantly expanded so that those activities may be properly regulated.

Respectfully submitted,

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Counsel for Delta Natural Gas Company,
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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 1st day November 2010:

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