CenterPoint Energy

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October 18, 2010

TO: Kentucky Public Service Commission
Attn: Commission Secretary

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PAGES TO FOLLOW: 6

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Attached is Public Comments of CenterPoint Energy Services, Inc. with regard to Case No. 2010-00146

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

PUBLIC COMMENTS OF CENTERPOINT ENERGY SERVICES, INC.

CenterPoint Energy Services, Inc. ("CenterPoint Energy" or the "Company") submits these comments to the Commission pursuant to its invitation for public comments in its October 12, 2010 news release.

Both CenterPoint Energy and its affiliate, CenterPoint Energy Resources Corp. ("CERC"), are wholly-owned subsidiaries of CenterPoint Energy, Inc ("CEI"). CEI is a domestic energy delivery holding company that includes electric transmission and distribution, natural gas distribution, competitive natural gas sales and services, interstate pipelines and field services operation. CEI's assets total more than $17 billion. CEI and its predecessor companies have been in business for more than 130 years. CERC is a multi-jurisdictional natural gas utility company serving approximately 3.1 million metered customers in its service territories, including approximately 436,000 metered customers in Arkansas, 253,000 metered customers in Louisiana, 780,000 metered customers in Minnesota, 121,000 metered customers in Mississippi, 107,000 metered customers in Oklahoma, and 1,482,000 metered customers in Texas. CEI also wholly owns an electric public utility in Texas, CenterPoint Energy Houston Electric, LLC ("CEHE"), which provides electric transmission and distribution services to approximately 2 million metered customers in and around the City of Houston.

CenterPoint Energy is a retail natural gas marketer and supplier to governmental, commercial and industrial consumers and to natural gas local distribution companies in several states. It has an annual natural gas sales volume of approximately 250 Bcf to approximately 12,000 commercial and industrial customers in various states from Texas to Minnesota to Pennsylvania, and others east of the Rocky Mountains, that allow direct gas sales by a non-incumbent natural gas utility to such customers.

The Company is greatly interested in supplying natural gas to consumers in Kentucky and welcomes the opportunity to assist the Commission in opening up its natural gas consumer markets to increased competition. We believe that providing consumers more choice by letting them opt for unbundled distribution and supply services would be beneficial to Kentucky consumers, enhance economic development in the state, and be in the public interest. We applaud the Commission for initiating this proceeding.

Amid the prolonged economic struggles facing the Kentucky commercial and industrial community, expanding the number of customers who can participate in natural gas choice programs is an opportunity the Commission can take to ameliorate the burden of high natural gas costs for a large number of the state's businesses. This low hanging fruit of sorts comes in the form of broadening the access of retail 3rd party natural gas sales to Kentucky's commercial and industrial end users.

The opportunity, often termed unbundling, began nearly 20 years ago as a trial run across the United States. The program was initially available to only the largest industrial customers. Since then, the value of unbundling has been shown to be effective not only for the high consumption users, but for businesses that consume natural gas on a medium and small scale basis as well. Advantages introduced by the competitive retail 3rd party market include lower costs, asset optimization, budgeting capabilities, improved customer service, and more informed end users. These advantages have materialized because, year-in and year-out, the retail marketplace is fighting for the privilege to serve customers of all size.

The cost of gas typically gets the most attention in terms of attracting commercial end users to retail 3rd party marketers, because the costs are often significantly lower than the alternative of purchasing natural gas supply from the incumbent Local Distribution Company ("LDC"). Moreover, given that an LDC's gas cost structure is not transparent enough to allow consumers to have a complete understanding of the gas costs imposed on them by the LDC, the disparities between an LDC's cost of gas flowed through to consumers in their utility bills and the open market cost of gas at any given time is often a point of frustration for many consumers.

It is unquestionably clear that competition breeds lower cost environments. The natural gas marketplace is not an exception. More appropriately stated, the natural gas marketplace is a prime example of an effectively competitive market. Customers switching from LDC supplied gas to 3rd party supplied gas remove themselves from a single source market and reap the benefits of multiple counterparties vying for their business. Furthermore, the cost-savings benefits accruing to those customers did not come at the expense of reduced reliability. Indeed, the reliability of 3rd party supplied gas is no different than the reliability of LDC supplied gas, because both the 3rd party marketer and the LDC purchase the same upstream capacity from the same interstate pipelines.

A good model of this success is CERC's case study in Arkansas. CERC is the largest natural gas LDC in Arkansas. Like many states, Arkansas began the retail 3rd party natural gas procurement project by allowing only the companies with the largest natural gas consumption levels to participate. As news spread of cost savings, budgeting capabilities, and market competition, customers throughout the state lobbied for access to the program. Arkansas customers witnessed a gradual decrease in the usage requirement thresholds to the current level of 25 Mcf/day.

This summer, CERC charged its industrial Arkansas customers $7.29/ Mcf for natural gas supplies – and the Arkansas Public Service Commission ("APSC") has approved this charge as the cost of gas prudently incurred by CERC – while those participating in the retail 3rd party program had access to gas supplies well under $5.00 (the 3 year historical average disparity has averaged over $2.00 in favor of the retail 3rd party marketing supply). CERC has publically announced that it is currently discussing implementation plans to lower the 3rd party access threshold in Arkansas even further to 10 Mcf/day in 2011 (this change has already been implemented for CERC's LDC customers in Texas).

CERC's LDC experience offers a real example of what has materialized around the United States, including the State of Kentucky. LDC's and other entities not structured to thrive in a price competitive environment typically provide gas supplies at a premium cost when compared to retail 3rd party natural gas marketers. For example, by looking at the posted tariffs for Atmos Energy and Louisville Gas and Electric (CenterPoint Energy did not have access to the gas costs of the other LDC parties in this proceeding), it is apparent that Kentucky's LDC utilities also struggle to compete with pricing from retail 3rd party natural gas marketers. Before exploring the extent of these disparities, it is important to emphasize that the utilities depicted in this example are not necessarily underperforming relative to other states. As mentioned above, retail energy marketers are simply more capable of providing cheaper supplies because their business models necessitate it.

Referencing their posted gas rates, Louisville Gas and Electric charged an average of \$6.63/ Mcf over the past 24 months to their commercial and industrial sales customers. Atmos Energy's cost of gas passed on to end users was slightly higher at \$6.79/Mcf over the same period. By comparison, these rates are 35% higher than a conservative estimate for what the same customers would have paid (\$4.93/Mcf) for gas supply from a 3rd party retail marketer during this timeframe.

Offering 3rd party supplied natural gas to small, medium, and large consumers is a time-tested success story that spans across state lines, political parties, and economic shifts. CenterPoint Energy currently helps over 12,000 end users of all sizes across the eastern US successfully navigate the 3rd party marketplace. The Company would likely open a Louisville office dedicated to earning the business and trust of Kentucky consumers, should the Commission implement broadening the access of 3rd party natural gas procurement in the state.

The question facing the Commission in this proceeding has been addressed many times over the years in other states. Time and time again, the choice by your counterparts in other states has been to increase customer access to 3rd party markets. We urge this Commission to make a similar choice.

Respectfully submitted,
CENTERPOINT ENERGY SERVICES, INC.

By: ______________________

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