

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

In the matter of: : CASE NO. 2016-00162
The Application of Columbia Gas of :
Kentucky, Inc. for an Adjustment of Rates :

**INTERSTATE GAS SUPPLY, INC.'S MOTION TO RECONSIDER COMMISSION'S
ORDER DENYING INTERVENTION**

Comes Interstate Gas Supply, Inc. ("IGS"), by counsel, and moves the Commission to reconsider its Order denying intervention, re-requesting the Commission grant its intervention and in support thereof submits as follows:

An Administrative Agency has the authority, just as has a court, to reconsider and change its orders during the time it retains control over any question under submission to it. *Union Light, Heat & Power Co. v. Public Service Commission*, 271 S.W.2d 361 (Ky.App.1954). Likewise, KRS 278.400 provides IGS a basis here to request reconsideration as well.

The Commission denied IGS's Motion to Intervene in the above-referenced matter on July 21, 2016 deciding that the only interest that IGS arguably has in the natural gas rates and service of Columbia is as a competitor, and that interest is too remote to justify intervention here. *Order* herein, dated July 21, 2016, p. 4. In its ruling the Commission relied on a Duke Energy merger case from 2010 in which Stand Energy was denied intervention. In doing so the Commission ignored the fact that IGS has been granted intervention into every other base rate case since the inception Choice program by Columbia Gas of Kentucky, Inc. ("Columbia") in 2004 (including the last Columbia base rate proceeding in 2013) reversing long-standing precedent that IGS be allowed to intervene in Columbia cases.

For the reasons stated herein, IGS respectfully requests that the Commission reconsider its ruling.

I. Gas Marketers are Not Competitors to Columbia Gas of Kentucky, Inc. ("Columbia")

The Commission's Order inaccurately characterizes IGS' interest to be only that of a "competitor" of Columbia as the local distribution company "LDC". This mischaracterization should not be used as a basis for denying IGS' intervention.

First and foremost Columbia is the monopoly distribution provider in charge of administering the natural gas Choice and Transportation programs under which IGS serves customers. Columbia administers and enforces rules for these two programs. IGS has no option to compete against Columbia as an alternative administer of the Columbia Choice and Transportation programs. IGS must operate under the rules and tariffs of the Choice and Transportation programs Columbia offers.

From time to time in base rate proceedings (such as this one) Columbia proposes changes to its Choice and Transportation program tariffs. In fact, in this proceeding, Columbia has proposed a tariff change for its Transportation program (a/k/a Delivery Service program). Specifically Columbia has proposed to a rule change that would allow Columbia to modify the delivery points under which IGS must deliver gas to its Transportation customers. (See Cooper Testimony at page 6). Further Columbia has proposed changes to the rules that involve cash-outs for Transportation customers. These rule change could significantly impact the cost IGS incurs to serve its Transportation customers; and it has nothing to do with IGS competing against Columbia to sell natural gas.

Secondly, even for the sale of natural gas, IGS is not a competitor of Columbia. As the LDC, Columbia is legally mandated **not** to make a profit on the supply of natural gas – in fact

the cost of gas for the LDC should be passed through to the customer on a dollar-for-dollar basis with no mark-up or profit. Moreover, Columbia recovers the actual cost of natural gas supply if the actual gas cost proves higher than forecasted through separate gas cost recovery/adjustment (GCR/GCA) filings – the supply of gas for Columbia remains a “pass through” expense subject to the “true up” mechanism (GCR/GCA). LDC’s instead earn their profits through the distribution of gas with a guaranteed rate of return, not through its purchase and resale of the natural gas commodity whereas conversely IGS provides customers the option to purchase natural gas supply at fixed rate. Said another way, Columbia provides the delivery of gas and corresponding safety services whereas IGS offers customers the supply of gas at a fixed rate. Columbia delivers throughput of gas regardless of who supplies the gas and controls the gas delivery business whereas IGS is in the commodity side of the business – supply should not even be a profit center for Columbia. Inasmuch, these parties are not competitors, they offer different products and services for profit and Columbia does not compete against IGS to sell natural gas.

II. *IGS has an interest in the rate or service of Columbia.*

Anyone seeking to intervene must have an interest in the “rates” or “service” of a utility. KRS 278.040(2). KRS 278.010(12) defines “Rate” as any...charge...for service rendered or to be rendered by any utility, and any...rule, regulation, practice, act...or privilege in any way relating to such...charge...and any schedule or tariff or part of a schedule or tariff thereof. KRS 278.010(13) defines “Service” as any practice or requirement in any way relating to the service of any utility, including...the heat units and pressure of gas...and in general the quality, quantity, and pressure of any commodity or product used or to be used for or in connection with the business of any utility...

In the case at bar, Columbia concedes that its proposed change to the cash-out mechanism for transportation customers affects the General Terms and Conditions applicable to Delivery Rate Schedule Customers. By altering the cash-out mechanism, Columbia seeks to change a part of its tariff dealing with transportation customers and "Rate" refers to any charge involving a tariff. KRS 278.010(12). IGS provides gas supply to some very large volume transportation customers in Columbia's monopoly territory. Columbia's proposed alteration of the "Rate" affects IGS and its transportation customers by changing the current cash-out mechanisms in contravention of IGS's existing business practices and fixed contracts provided by IGS to its transportation customers. Accordingly, IGS has interest in the "Rates" of Columbia in this proceeding. KRS 278.010(12).

Columbia also seeks to modify delivery points for gas suppliers. "Services" here includes any service of Columbia involving the pressure of gas and generally the quantity or quality of any natural gas. KRS 278.010(13). Columbia's request here to modify delivery points for gas suppliers involves quantities of natural gas and the delivery of natural gas by suppliers, including IGS. Inasmuch, IGS has an interest in the "Services" of Columbia here in contravention of IGS's existing business practices and standing fixed contracts with gas transportation suppliers.

IGS cannot quit offering gas supply mid-contract to customers yet failing to grant intervention allows the LDC here to essentially change the parameters of the gas supply provided at the time of the execution of the prior fixed contract. Said another way, denying intervention allows Columbia to change the rules and increase the costs to the gas suppliers despite the gas suppliers being locked into fixed contacts with customers.

III. Columbia's Proposed Rule Changes Columbia Significantly Impact IGS Financially.

In its Response Contra IGS' Motion to Intervene Columbia states that IGS only has five Transportation customers. However, those 5 customers are by far the biggest customers IGS serves. **Those customers represent millions of dollars annually in revenue to IGS, and consume over 5 million CCF of gas each year.** Clearly Columbia' proposed rules changes, under which IGS must operate, could have a significant financial impact on IGS.

As noted above the delivery points where IGS is required to deliver gas greatly impacts the cost IGS incurs to serve customers. If Columbia is allowed to modify its delivery points, like it is proposing in this proceeding, IGS' cost to serve customers could go up. Also, the cash-out rules (which Columbia is proposing to change) affect the costs IGS transportation customers will have to pay to receive service from IGS.

Moreover, IGS enters into long-term fixed contracts with these customers, where IGS cannot change its price charged to customers for the term of the contract (sometimes as long as 5 years). Therefore, when there are tariff changes that increase the cost of serving its customers, IGS will simply have to eat these increased costs, impacting IGS' bottom line.

It is unreasonable to have a proceeding where Columbia is proposing changes to its tariffs that could significantly impact IGS' cost structure, and not give IGS an opportunity to weigh-in or give its input. For these reasons the Commission's decision to deny IGS' intervention should be reconsidered and intervention should be granted.

IV. The Denial of IGS' Intervention Goes Against Past Commission Precedent.

In the last three rate cases Columbia has filed, IGS has been allowed to intervene, and has been a constructive participant. See Case No. 2007-0008, Case No. 2009-00141, Case No. 2013-00167. Now, without citing any reason why this proceeding would be different from Columbia's

previous rate cases, the Commission has decided to deny IGS' intervention. The only proceeding cited in the Order was a merger case in which Stand Energy was denied intervention over 5 years ago.

First, a merger case is much different than a base rate case. Merger cases involve two utilities merging and are, at best, tangentially relevant to the Choice and Transportation programs under-which suppliers operate. Base rate cases, on the other hand, often involve tariff and rules changes that directly affect the Choice and Transportation, which is the case with this proceeding (as discussed above).

Second, the merger case was from 2010 and provides no basis or analogous scenario to support the denial of intervention here, IGS is not a competitor to Columbia and IGS has been a party to Columbia's last 3 base rate proceedings and multiple other proceedings – occurring before and after 2010.¹

The Commission's decision to allow IGS to intervene in Columbia's last 3 base rate proceedings, as well as multiple other Columbia proceedings, were the correct decisions. IGS was not involved in the Duke Energy merger proceeding 6 years ago but IGS has been actively involved in the Columbia service territory, serving tens of thousands of gas customers. The proper functioning of Choice and Transportation markets is extremely important to IGS, and it

¹ IGS has also frequently intervened in previous proceedings before the KY PSC involving Columbia such as, In the matter of: 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 Mechanism, And a Gas Cost Incentive Mechanism, Case No. 2004-00462; The Application Of Columbia Gas of Kentucky, Inc., For An Adjustment of Gas Rates, 2007-0008; The Application of Columbia Gas of Kentucky, Inc., to Extend its Small Volume Gas Transportation Service Case No. 2008-00195; The Application Of Columbia Gas of Kentucky, Inc. to Expand Its Gas Cost Incentive Program And Its Off-System Sales and Capacity Release Revenue Sharing Mechanism: 2008-00433; The Application Of Columbia Gas of Kentucky, Inc., For An Adjustment of Gas Rates Case No. 2009-00141, The Application of Columbia Gas of Kentucky, Inc., to Extend its Small Volume Gas Transportation Service Case No. 2010-00233; and The Application Of Columbia Gas of Kentucky, Inc., For An Adjustment of Gas Rates Case No. 2013-00167.

would be unreasonable to deny intervention to IGS in proceedings such as this one where changes to these programs are proposed to occur.

There is no party that can represent IGS' interest in this proceeding other than IGS and IGS has a special interest in the proceeding. IGS has been a constructive participant in numerous proceedings² in front of this Commission including the last Columbia base rate case (Case No. 2013-00167), which IGS was a settling party. Like in previous proceedings IGS' participation in this proceeding will not unduly complicate or disrupt the proceeding. For these reasons IGS should be granted intervention and the Commission should reconsider its previous decision.

Respectfully submitted,

HURT, DECKARD & MAY PLLC



William H. May, III
Matthew R. Malone
The Equus Building
127 West Main Street
Lexington, Kentucky 40507
(859) 254-0000 (office)
(859) 254-4763 (facsimile)
mmalone@hdmfirm.com

Counsel for the Petitioner,
INTERSTATE GAS SUPPLY, INC.

² For over 10 years, the Commission has granted IGS intervention into all of Columbia's general base rate increase cases.

CERTIFICATE OF SERVICE

I hereby certify that IGS' July 28, 2016 electronic filing is a true and accurate copy of IGS' Motion to Intervene and cover letter to be filed in paper medium; that the electronic filing has been transmitted to the Commission on July 28, 2016; that an original and one copy of the filing will be delivered to the Commission on July 29, 2016; that there are currently no parties excused from participation by electronic service; and that, on July 28, 2016, electronic mail notification of the electronic filing is provided to the following:

Hon. Stephen B. Seiple
Hon. Brooke E. Wancheck
Columbia Gas of Kentucky, Inc.
290 W. Nationwide Blvd.
Columbus, Ohio 43215

Hon. Richard S. Taylor
225 Capital Avenue
Frankfort, Kentucky 40601

Hon. David J. Barberie
Department of Law
200 East Main Street
Lexington, KY 40507

Hon. Kent A. Chandler
Assistant Attorney General
Office of the Attorney General
1024 Capitol Center Drive, Suite 200
Frankfort, Kentucky 40601

Iris G. Skidmore, Esq.
Bates & Skidmore
Attorneys at Law
415 W. Main Street, Suite 2
Frankfort, Kentucky 40601



ATTORNEY FOR INTERSTATE GAS SUPPLY, INC.