

**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 REPLY TO THE OBJECTION AND RESPONSE
OF COLUMBIA GAS OF KENTUCKY, INC. TO THE MOTION OF INTERSTATE
GAS SUPPLY, INC. TO RECONSIDER**

Comes Interstate Gas Supply, Inc. ("IGS"), by counsel, and in reply to Columbia Gas of Kentucky, Inc.'s ("Columbia") Objection and Response to the motion requesting reconsideration by IGS, and states as follows:

The Commission's Order denying intervention on July 21, 2016 created a new issue here by inaccurately characterizing IGS as a "competitor" of Columbia with IGS's interest too remote to justify intervention. And, while previous PSC Orders are not binding precedent on later PSC decisions, litigants frequently cite to prior decisions for persuasive authority and frankly the suggestion that IGS is a "competitor" here is simply not true and creates dangerous and incorrect persuasive authority.

As newly articulated in the motion for reconsideration, IGS addressed that Columbia acts as the monopoly local distribution company administering the gas Choice and Transportation programs under which IGS serves customers. To the extent IGS wishes to serve customers in the Columbia Gas service territory, IGS must do so through the program Columbia administers.

Likewise, IGS pointed out the marked differences between the products and services offered by Columbia and IGS and how Columbia is authorized to only earn money on the delivery/distribution service and remains legally mandated **not** to make a profit on the sale of natural gas; conversely, IGS's business is to sell the natural gas to customers, and offers

customers the ability to purchase gas at a fixed rate and Columbia earns a guaranteed rate of return on the delivery of gas.

In short, IGS's business is to sell natural gas; Columbia's business is to deliver the gas through its pipelines. These are separate functions, and it is inaccurate to now consider IGS as just a competitor of Columbia, when Columbia has monopoly control over the distribution system which IGS must use to deliver gas to its customers.

Inclusion of IGS' statutory argument in its motion to reconsider also raises new concerns and issues not previously addressed to more clearly articulate IGS's interest in the rates and services Columbia seeks to alter in this base rate case proceeding. *See*, p. 3-4 of Motion to Reconsider; *see also*, KRS 278.010 (12) (defining "Rate") and KRS 278.010(13) (defining "Service"). As pointed out above, IGS is not a "competitor" to Columbia. If IGS is not a "competitor" what is IGS's interest in this proceeding? IGS provides gas supply to some very large volume transportation customers in Columbia's territory – IGS's interest is that of a gas supplier subject to fixed obligations to provide customers with gas. IGS's supply obligations and business dealings will be impacted if Columbia's proposed tariff changes are allowed to go into effect.

Specifically, Columbia seeks to alter its tariff dealing with transportation customers (altering the cash-out mechanism) and "Rate" refers to any charge involving a tariff. KRS 278.010(12). IGS has standing fixed contracts with these transportation customers with the administrator of the transportation program (Columbia) now seeking to alter the terms.

By analogy, if Costco or Sam's Club faces increased shipping costs from a third party supplier of goods they generally have the opportunity to seek other alternate third party delivery companies for service potentially avoiding the increased shipping costs – comparably IGS

remains locked into fixed contracts (sometimes as long as 5 years) with its transportation customers subject to increased costs being proposed by Columbia as the monopoly LDC – with currently no ability to even weigh in on the issue. In all fairness, how would IGS not have an interest in the Rates proposed by Columbia here? The Commission’s prior decision to deny intervention to IGS provided a limited basis for the ruling, included incorrect assumptions (IGS is a competitor) and should be reconsidered.

Last, the Commission has granted IGS’s requests for intervention into every Columbia base rate proceeding since 2004 (inception of the Choice program). All the while, there has been a long standing precedent of the Commission scrutinizing requests for intervention by parties because generally speaking there must be a unanimous settlement among all parties granted intervention for the LDC to garner Commission approval of any proposed settlement and avoid the risk and unknown outcome of litigation. Nonetheless, the Commission has never denied IGS intervention in prior Columbia base rate proceedings and contemporaneous with previous base rate interventions, IGS has entered into the proceedings in good faith and proceeded reasonably – reaching settlement in every case short of a hearing. Suggesting that IGS lacks an interest in this proceeding based on the reasoning of a 2011 Duke Energy merger case where Stand Energy sought intervention fails to provide a reasonable basis to deny intervention in this Columbia base rate proceeding.

For the reasons set forth above, IGS respectfully requests that the Commission reconsider its prior ruling as IGS has a special interest in these proceedings because the Rates and Services proposed by Columbia will directly impact IGS and IGS’s interests are not adequately represented; last, IGS participation in this proceeding will not unduly complicate or disrupt the proceeding.

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.

CERTIFICATE OF SERVICE

I hereby certify that IGS's August 9, 2016 electronic filing is a true and accurate copy of IGS's Reply and cover letter to be filed in paper medium; that the electronic filing has been transmitted to the Commission on August 9, 2016, 2016; that an original and one copy of the filing will be delivered to the Commission on August 10, 2016; that there are currently no parties excused from participation by electronic service; and that, on August 9, 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.