

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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JUL 29 2010

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:)
AN INVESTIGATION OF NATURAL GAS) Case No. 2010-00146
RETAIL COMPETITION PROGRAMS)

**STAND ENERGY CORPORATION'S RESPONSES TO REQUESTS FOR
INFORMATION FROM DUKE ENERGY KENTUCKY**

Intervenor, Stand Energy Corporation ("SEC"), by and through counsel, submits the following responses to requests for information from Duke Energy Kentucky.

1. Please provide copies of any and all studies, analysis, reports, or articles including work papers, authored by Stand Witness Don Mason regarding gas retail choice for the last five years.

Response: Responder: Mark Ward. Mr. Mason's presentations developed during this period are in the possession of the Public Utilities Commission of Ohio where Mr. Mason was last employed before beginning a private consulting practice. Mr. Mason is not optimistic about obtaining them because personal computers are wiped clean by the PUCO and then sold.

2. Please provide the study, analysis, including work papers to support Mr. Mason's claim that the Commonwealth has saved over \$1,380,000 over what they would have otherwise paid if they had purchased gas supplies from Columbia Gas of Kentucky.

Response: Responder: Mark Ward. Objection. Stand Energy's Customer Privacy Policy does not allow the release of specific customer information unless the release is specifically approved by an authorized Customer representative in writing or pursuant to a duly issued subpoena. Without waiving the objection, Stand Energy states that it regularly provides written savings analyses to the Commonwealth of Kentucky. The Commission can obtain this information from our customer, the Commonwealth of Kentucky or issue a subpoena which Stand Energy will forward to the Kentucky Attorney General to review and address.


John M. Dosker, Attorney

3. Referring to page 4, lines 11-21, of Mr. Mason's testimony, please identify the hospitals, drycleaners, car dealerships, school administrators and array of businesses in Kentucky that Mr. Mason has discussed gas choice, and describe the nature of those conversations and the substance of the information Mr. Mason conveys during those conversations.

Response: Responder: Mark Ward. Speaking from his years of experience working with the Public Utilities Commission of Ohio and the utilities that allow gas transportation service to all of the classes of customers mentioned above, the issues, from a business point of view, should be the same, or at least very similar, from Ohio and Kentucky which are served by many of the same interstate natural gas pipelines.

4. Referring to page 8 of Mr. Mason's testimony, has Mr. Mason performed any cost of service study that shows Duke Energy Kentucky's administrative charge is not reflective of its actual costs of providing the services associated with administering its transportation service? If the response is in the affirmative, please provide a copy of such study, including work papers.

Response: Responder: Mark Ward. No. In Mr. Mason's opinion, based on his experience, the cost of service should be similar in both states with similar sized customers utilizing the same utility staff located in the same building for both Duke Energy Ohio and Duke Energy Kentucky.

5. Referring to page 8 of Mr. Mason's testimony, has Mr. Mason performed any cost study or analysis, or authored any reports that compare the cost structure of Duke Energy Ohio's gas operations to Duke Energy Kentucky's gas operations? If the response is in the affirmative, please provide such studies, reports or analysis, including all work papers. If the response is in the negative, on what basis does Mr. Mason contend that Duke Energy Ohio and Duke Energy Kentucky have identical natural gas operational cost structures thereby supporting his claim that Duke Energy Kentucky's administrative charge is unreasonable?

Response: Responder: Mark Ward. No. In Mr. Mason's opinion, based on his experience, the cost of service should be similar in both states with similar sized customers utilizing the same utility staff located in the same building for both Duke Energy Ohio and Duke Energy Kentucky.

6. Referring to page 3 of Mr. Ward's Direct testimony where he discusses the purpose of his testimony as to "address the needs for changes in Local Distribution Company tariffs that will allow governmental facilities, schools, and business entities in Kentucky the option to purchase their own gas supplies from the competitive market," based upon this description, is Stand Energy not interested in providing gas service to residential customers? Please explain.

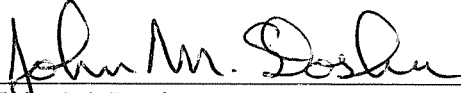
Response: Responder: Mark Ward. Stand Energy's current business plan does not include mass marketing to residential customers in any of the LDCs that offer a Choice program to residential customers. Stand is willing to provide gas service to any Kentucky residential customer that comes to Stand and requests service; however, Stand is not going to participate in mass marketing i.e. door-to-door solicitation, mass mailings, media advertising or telemarketing to residential customers.

7. Referring to page 4 of Mr. Ward's testimony where he defines gas transportation service, is Mr. Ward distinguishing gas transportation from retail choice? Please explain the distinction.

Response: Responder: Mark Ward. Absolutely. Gas Transportation programs have existed for many years in most of Kentucky's local natural gas distribution companies. Stand Energy proposes to reduce the volumetric usage thresholds required to be met before a customer is eligible to transport natural gas thereby allowing more commercial, industrial and governmental customers to take advantage of these existing programs. Retail Choice or CHOICE (Trademark) is usually identified with residential customers.

8. Referring to page 5 of Mr. Ward's testimony, please provide the study report or analysis supporting the statement that Stand Energy has saved customers over \$1,380,000 over what they have paid Columbia Gas of Kentucky.

Response: Responder Mark Ward. Objection. Stand Energy's Customer Privacy Policy does not allow the release of specific customer information unless the release is specifically approved by an authorized Customer representative in writing or pursuant to a duly issued subpoena. Without waiving the objection, Stand Energy states that it regularly provides written savings analyses to the Commonwealth of Kentucky. Duke Energy Kentucky can obtain this information from our customer, the Commonwealth of Kentucky or issue a subpoena which Stand Energy will forward to the Kentucky Attorney General to review and address.


John M. Dosker, Attorney

9. Referring to page 7 of Mr. Ward's testimony, has Mr. Ward performed any cost of service study that shows Duke Energy Kentucky's administrative charge is not reflective of its actual costs of providing the services associated with administering its transportation service? If the response is in the affirmative, please provide a copy of such study, including work papers.

Response: Responder: Mark Ward. No. In my opinion, based on my experience, the cost of service should be similar in both states with similar sized customers utilizing the same utility staff located in the same building for both Duke Energy Ohio and Duke Energy Kentucky.

10. Referring to page 8 of Mr. Ward's testimony, has Mr. Ward performed any cost study or analysis, or authored any reports that compare the cost structure of Duke Energy Ohio's gas operations to Duke Energy Kentucky's gas operations? If the response is in the affirmative, please provide such studies, reports or analysis, including all work papers. If the response is in the negative, on what basis does Mr. Ward contend that Duke Energy Ohio and Duke Energy Kentucky have identical natural gas operational cost structures thereby supporting his claim that Duke Energy Kentucky's administrative charge is unreasonable?

Response: Responder: Mark Ward. No. In my opinion, based on my experience, the cost of service should be similar in both states with similar sized customers utilizing the same utility staff located in the same building for both Duke Energy Ohio and Duke Energy Kentucky.

11. Referring to page 5 of Mr. Dosker's testimony, please give examples of the types of retail rules for competitive subsidiaries of regulated utilities that Mr. Dosker believes the Kentucky Public Service Commission should develop.

Response: Responder: John Dosker. No code of conduct has ever been required for marketers supplying natural gas to Kentucky customers under existing gas transportation programs. The regulated utilities each have their own credit and other legal requirements that must be met before marketer gas flows to customers. Stand Energy opposes allowing utility-owned affiliates of regulated utilities to serve customers behind the parent regulated utility at any time for any reason. Affiliates have too many advantages over marketers and too much daily contact with the utility to be effectively regulated.


12. Referring to page 8, lines 5-8 of Mr. Dosker's testimony, please identify the predatory behavior he alleges Stand has observed by "most of Kentucky's regulated utilities." Please identify all support, facts, documents, and persons with knowledge of this accusation.

Response: **Responder: John Dosker.** Predatory and anti-competitive behavior can take many forms. In order to transport natural gas on a utility, a marketer must sometimes first disclose the identity of the specific customer to the distribution utility to obtain necessary utility and customer-specific information. Stand Energy has lost such sales either because the distribution utility immediately sent out a utility sales person to "negotiate" a rate with the customer, or the unregulated affiliate can be made aware that a customer is considering purchasing gas supply from Stand Energy and then the unregulated affiliate can magically show up and offer a contract to the customer at a lower price. Sales lost to unregulated affiliates almost always involve statements stressing the utility "brand" thereby suggesting greater reliability over a mere marketer. It is for these anti-competitive reasons that Stand Energy is adamant in its position that Kentucky should **NOT** permit unregulated affiliates to operate within the territory of their regulated parent utility under any circumstances.


A specific example of predatory pricing we encountered several years ago when bidding to serve the U.S. Army Facility at Ft. Knox, Kentucky within the LG&E service territory. The contract was ultimately awarded to Atmos Energy Marketing, the unregulated affiliate of Atmos Energy Corporation. Upon receiving notice that we were not the successful bidder, Stand Energy submitted a Freedom of Information Act (FOIA) request to Ft. Knox. Stand Energy received the winning bid terms and discovered that Atmos Energy Marketing won the contract with a total price lower than Stand Energy's cost to serve. The only way this would be possible would be for Atmos Energy Marketing to sell natural gas, transportation and storage below cost because these

items were already paid for by Atmos ratepayers. (Atmos Energy Marketing was "managing the assets" of its regulated parent company the utility Atmos Energy Corporation, and probably other LDC's, when this event occurred).

Depending upon how predatory pricing is defined, a customer with facilities that qualify for gas transportation service in both Cincinnati, Ohio (Duke Energy Ohio) and Northern Kentucky (Duke Energy Kentucky) might reasonably ask why he or she is charged \$430 a month more in Kentucky for administrative and other "services", including meter reading, associated with the provision of gas transportation service. The Duke gas transportation services provided to Kentucky and Ohio customers are housed in the same building utilizing what we reasonably assume are the same or similar employees. The monthly charges to customers should be similar in both jurisdictions. This is a fundamental issue of fairness and reasonableness.



John M. Dosker



Mark T. Ward

**STATE OF OHIO
COUNTY OF HAMILTON**

Signed and sworn to before me, a Notary Public for the State of Ohio by John M. Dosker and Mark T. Ward, personally known to me, who stated that these responses were prepared by them on behalf of Stand Energy Corporation and that the responses are true and accurate to the best of their knowledge, information and belief formed after a reasonable inquiry.

My commission expires: 2-7-2011.



NOTARY PUBLIC STATE-AT-LARGE.