

September 22, 2010

Mr. Jeff Derouen  
Executive Director  
Public Service Commission  
Commonwealth of Kentucky  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, KY 40602

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PUBLIC SERVICE  
COMMISSION

**RE: Case No. 2010-00146**

Dear Mr. Derouen,

Enclosed for filing with the Commission are an original and ten (10) copies of the Rebuttal Testimony of Judy M. Cooper on behalf of Columbia Gas of Kentucky, Inc., in the above case. Should you have any questions about this filing, please contact me at 614-460-4648 or [sseiple@nisource.com](mailto:sseiple@nisource.com). Thank you!

Sincerely,

*Stephen B. Seiple (mc)*

Stephen B. Seiple  
Assistant General Counsel

Enclosures

cc: Hon. Richard S. Taylor

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

In the Matter of: An Investigation of Natural            )  
Gas Retail Competition Programs                        )     Case No. 2010-00146

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**PREPARED REBUTTAL TESTIMONY OF**  
**JUDY M. COOPER**  
**ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.**

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**COLUMBIA GAS OF KENTUCKY, INC.**

**PREPARED REBUTTAL TESTIMONY OF JUDY M. COOPER**

1   **Q:   Please state your name and business address.**

2   A:   My name is Judy M. Cooper and my business address is 2001 Mercer Road, Lexington, KY.

3

4   **Q:   Did you file Direct Prepared Testimony in this proceeding?**

5   A:   Yes, I did.

6

7   **Q:   What is the purpose of your Rebuttal Testimony in this proceeding?**

8   A:   Subsequent to the filing of my Prepared Direct Testimony, numerous other parties to this  
9       proceeding filed Direct Testimony including Nancy Brockway on behalf of AARP and  
10      Mark Ward on behalf of Stand Energy Corporation. Based upon the experiences of Colum-  
11      bia's Customer CHOICE program, this testimony will rebut the conclusion of Ms. Brock-  
12      way that natural gas retail competition programs in Kentucky would not benefit residential  
13      consumers. This testimony will also refute a statement by Mr. Ward that Kentucky's smaller  
14      commercial and industrial customers can't purchase their gas supplies from anyone other  
15      than their LDC.

16

17   **Q:   On pages 3 and 4 of her testimony, Ms. Brockway discusses the particular concerns of**  
18       **the AARP regarding the prospect of natural gas competition in Kentucky and subse-**  
19       **quently refers to them as the "risks of deregulation" further stating her belief that the**  
20       **risks can be avoided by "maintaining the present vertical integration of regulated gas**  
21       **supply for consumers, and continuing to regulate gas supply in Kentucky."Do you**  
22       **agree with Ms. Brockway?**

1 A: No. The structure of Columbia’s regulated gas supply for consumers has been maintained  
2 and is the same basic structure as that in place prior to the development of Columbia’s Customer  
3 Choice program. Columbia’s Customer Choice Program is an entirely optional tariff  
4 service that is regulated by the Commission to offer a deregulated natural gas commodity as  
5 an alternative to Columbia’s tariff sales commodity and minimizes the “risks of deregulation.”  
6 Columbia also maintains its regulated tariff sales service of natural gas supply. The  
7 design of Columbia’s program avoids stranded costs and shifting of costs between Choice  
8 participants and Columbia’s sales service customers. Reliability of service is maintained for  
9 all customers – both Choice and non-Choice participants as Columbia maintains the obligation  
10 to serve and is the supplier of last resort. Columbia’s Delivery Rates, that is, the rates  
11 exclusive of the gas commodity charge, are the same for tariff sales customers and Choice  
12 customers and have been established based upon cost-of-service analysis with a reasonable  
13 return on equity (“ROE”). Columbia’s gas commodity charge does not include any ROE, as  
14 it remains simply Columbia’s actual cost of gas, on a dollar-for-dollar basis. On the whole,  
15 Ms. Brockway’s testimony about the “risks of deregulation” seems to assume an environment  
16 where the incumbent public utility exits the merchant function and no longer provides  
17 tariff commodity sales service. This is not the structure of Columbia’s CHOICE program.

18  
19 **Q: On pages 6 -14 of her Testimony, Ms. Brockway provides examples of various marketing horror stories and losses in consumer protection that have occurred in the states of**  
20 **Illinois, Ohio and New York and the limited recourse of individual consumers. Has**  
21 **Columbia experienced the chronic type of marketing actions that are identified as patterns of abuse in these states?**  
22  
23

1 A: No. Columbia has experienced a few individual incidents of inappropriate marketer solicita-  
2 tions and customer complaints. In each instance, Columbia has identified the marketer and  
3 addressed the incident according to the provisions of its tariff. Customer complaints have  
4 been relatively small in number over the years compared to the number of Choice partici-  
5 pants. And, to Columbia's knowledge, all complaints have been resolved without formal le-  
6 gal action.

7

8 **Q: On page 15 of her Testimony, Ms. Brockway discusses the "failure of deregulation to**  
9 **provide lower bills for consumers" and references Columbia's 2009 Choice Annual**  
10 **Report. Have all of Columbia's Choice participants paid more for their gas commodity**  
11 **supply than they would have if they had remained Columbia tariff sales customers?**

12 A: No. A one-time snapshot of the aggregate savings as of any particular date is not representa-  
13 tive of the whole picture, nor does it identify trends in gas supply costs. Perhaps this is the  
14 reason that, from the responses of other states to the Commission's survey inquiry, no other  
15 state reported having a look-back review process regarding price comparisons. In fact, ex-  
16 cept for the most recent period since September 2009, the number of Choice participants  
17 billed gas cost commodity rates below Columbia's gas cost commodity rate has exceeded  
18 the number of customers billed rates greater than Columbia's gas cost in most months.<sup>1</sup> In  
19 most months, the number of customers paying rates lower than Columbia's gas cost is more  
20 than double the number of customers paying higher rates. For these customers, the Choice  
21 program has provided lower bills. , However, a guarantee of savings has never been a part of  
22 the Choice program nor any other retail unbundling program that has been discussed in the

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<sup>1</sup> Case No. 2010-00146 Response of Columbia Gas of Kentucky, Inc. to Commission Staff Second Request, Question No. 4, filed September 7, 2010.

1 testimony provided in this case. An appropriately designed retail unbundling program pro-  
2 vides customers the opportunity to choose an alternate commodity supplier resulting in  
3 greater control over their gas service with the possibilities of gaining price predictability,  
4 savings and/or stability while maintaining the guarantee of reliable service.

5  
6 **Q: On Page 4 of his testimony, Mr. Ward states, "the major gas utilities... have barriers in**  
7 **their tariffs that preclude smaller, predominantly winter space-heating customers, to**  
8 **avail themselves of the benefits of gas transportation services similar to what large in-**  
9 **dustrial and commercial customers have been doing in Kentucky for over 20 years."**  
10 **Do you agree with this statement?**

11 A: No. This is not an accurate statement unless Columbia is not considered to be a "major gas  
12 utility" in Kentucky. The Choice program was specifically designed to provide this gas  
13 transportation opportunity to these smaller customers and Stand actively participates as a  
14 marketer in the Choice program. Thus, all of the customers served by Columbia have the  
15 ability to purchase their natural gas supply from third party suppliers, rather than the LDC.

16  
17 **Q: Do you think it is possible to create a retail natural gas competition program that**  
18 **benefits consumer?**

19 A: Yes, it is possible to create a retail natural gas competition program that benefits consum-  
20 ers. Columbia has arrived at just such a program that minimizes risk and fits Columbia's  
21 operating circumstances and service area. Columbia offers a comprehensive selection of  
22 available services that allows all customers the opportunity to purchase the natural gas  
23 commodity from a third-party supplier. However, Columbia continues to believe the de-

1 sign of any particular program should be unique to the characteristics of each individual  
2 utility.

3

4 **Q: Does this complete your Prepared Rebuttal Testimony?**

5 A: Yes, it does.

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing Prepared Rebuttal Testimony of Judy M. Cooper was served by First Class U.S. Mail postage prepaid on the following parties this 22<sup>nd</sup> day of September 2010.

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