

RECEIVED Columbia Gas[®]
of Kentucky
A NiSource Company
JUL 27 2010
PUBLIC SERVICE
COMMISSION
P.O. Box 14241
2001 Mercer Road
Lexington, KY 40512-4241

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

July 27, 2010

RE: Case No. 2010-00233

Dear Mr. Derouen:

Pursuant to the Commission's Order of July 13, 2010 in Case No. 2010-00233, Columbia Gas of Kentucky, Inc. hereby files an original and ten copies of its Response to Commission Staff's First Information Request to Columbia Gas of Kentucky, Inc.

If you have any questions, please contact me. Thank you.

Sincerely,

Stephen B. Seiple (gmc)

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Assistant General Counsel

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Enclosures

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO INITIAL DATA REQUEST OF COMMISSION STAFF
DATED JULY 13, 2010**

Data Request 001:

Refer to Columbia's application, paragraph (1). Columbia requests to extend the effective date of Columbia's Customer Choice Program ("Choice Program") for three additional years, from March 31, 2011 through March 31, 2014. In Case No. 2008-00433,¹ the Order indicated that Columbia would, by October 1, 2010, indicate its intent to extend the Choice Program and the Gas Cost Incentive Program and its Off-System Sales and Capacity release revenue Sharing mechanism, to be on the same schedule.

- a. Explain why Columbia is proposing to extend the Choice Program through March 31, 2014 rather than through March 31, 2013.
- b. Explain why Columbia chose to submit this application nearly four full months prior to October 1, 2010 target date indicated in Case No. 2008-0433.

Response:

- a. The Commission's Orders in Case No. 2008-00433 did not state that the Choice Program and the Gas Cost Incentive Program should permanently be on the same schedule. Columbia's gas cost incentive program originated in 1996, four years prior to the start of the Choice program. In 2000, it was modified to provide for the recovery of stranded costs at the origin of Columbia's customer Choice program in Case No. 1999-00165 and modified again in Case No. 2004-00462. The Commission's Order in Case No. 2008-00433 authorized the continuation of the Choice Program through March 31, 2011 and the Gas Cost Incentive Program and its Off-System Sales and Capacity Release Revenue Sharing mechanism through March 31, 2013 if the Choice Program continued were continued through March 31, 2013. In

¹ Case No. 2008-00433, Application of Columbia Gas of Kentucky, Inc. to Extend Its Gas Cost Incentive Program and Its Off-System Sales and Capacity Release Sharing Mechanism (Ky. PSC Apr. 15, 2009 and May 22, 2009).

seeking to extend the Choice Program through March 31, 2014, Columbia will file a separate application at a later date regarding its Gas Cost Incentive Program.

- b. Columbia filed its application to extend the term of the Choice Program at approximately the same date as it has typically filed its applications to extend the Choice Program, that is with the expectation and in consideration of the Commission's need to suspend the effective date of the proposed tariff for five months and the need of customers, Choice marketers and customers to know in advance of the heating season if the program will continue.

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO INITIAL DATA REQUEST OF COMMISSION STAFF
DATED JULY 13, 2010**

Data Request 002:

Columbia filed the most recent annual report on its Choice Program with the Commission on June 4, 2010. The last paragraph on page 2 of the report indicates that, since the inception of the program through the most recent month available when the report was filed, participants in the program had paid \$17,280,299 more than “[i]f they had not opted to be supplied by a marketer in the first place.”

- a. Confirm whether this amount is for the time since Columbia’s pilot Choice Program began in 2000 or for the time since its current pilot program became effective on April 1, 2005.
- b. Given that the program’s participants, collectively, have paid more than they would have paid if they had continued as Columbia’s sale customers, explain why Columbia believes the program should be extended.

Response:

- a. This amount is for the time since Columbia’s pilot Choice Program began in 2000.
- b. The Choice Program should be extended because it provides Columbia’s customers additional gas supply options in addition to Columbia’s tariff rates. This option is

completely voluntary. Customers that choose to participate are guaranteed reliability of service, but savings are not guaranteed. There is an opportunity for savings and a snapshot of aggregate customer savings taken at any particular time, is not indicative of each individual customer's experience. The aggregate comparison is not static, nor are the customers. Certainly, some customers have saved and others have not as a result of the program, but individual experience varies and is unique to each individual customer. The volatility of natural gas commodity prices results in volatility in cost comparisons as well. The opportunity to mitigate price volatility is one of the benefits of the Choice program – customers may choose a fixed price option with a marketer and lock-in that rate for a specified period of time, this allows the customer to better plan the cost of their gas consumption.

The fact that a customer has the freedom to choose between a regulated supplier and a competitive supplier is of value in itself to some customers. As part of a customer satisfaction survey conducted by the Matrix Group of Lexington, Kentucky at Columbia's direction in 2008, 75% of the Choice customers who responded to the survey indicated they wanted the ability to choose their natural gas supplier, even if they learned they had not saved money in the program. Columbia believes the program should be continued on a voluntary basis as it is currently designed.

**COLUMBIA GAS OF KENTUCKY, INC.
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DATED JULY 13, 2010**

Data Request 003:

Provide the names of all the marketers currently participating in the Choice Program.

Response:

The marketers currently participating in the Choice Program are:

Gateway Energy Services Corporation

IGS Energy

MxEnergy

Stand Energy Corporation

Volunteer Energy Services, Inc.

**COLUMBIA GAS OF KENTUCKY, INC.
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DATED JULY 13, 2010**

Data Request 004:

Describe the extent to which Columbia is actively soliciting participation from marketers and describe the nature of the solicitation.

Response:

Columbia is not actively soliciting participation from marketers, but has had three new marketers certified to participate since October 2009.

**COLUMBIA GAS OF KENTUCKY, INC.
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Data Request 005:

Provide (1) the number of customers currently participating in the Choice Program; (2) the number of customers currently eligible to participate in the Choice Program; (3) the percentage of eligible Columbia customers currently participating in the Choice Program; and (4) the number of customers served by each individual marketer. Provide the information requested in parts (1) through (4) of this request as of the time of Columbia’s 2008 and 2009 annual reports on the Choice Program.

Response:

	(1) Number Eligible	(2) Number Participating	(3) Percent Participating	(4) Number by Marketer
2008	138,950	28,838	20.75%	Marketer A 25,746 Marketer B 3,092
2009	137,028	32,621	23.81%	Marketer A 27,602 Marketer B 5,019

**COLUMBIA GAS OF KENTUCKY, INC.
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DATED JULY 13, 2010**

Data Request 006:

Explain whether Columbia is still actively advertising the program and providing customer education concerning the program. If not, explain why.

Response:

Columbia continues to promote its Choice program and provide education about the program to its customers.

**COLUMBIA GAS OF KENTUCKY, INC.
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DATED JULY 13, 2010**

Data Request 007:

Describe the impact that decreased wholesale natural gas prices over the past two years have had on the Choice Program and the level of customers participating in the program.

Response:

Customer enrollments reported in the 2008 and 2010 Choice Annual Reports were both approximately 2,300 customers. Enrollments in 2009 were in excess of 7,300 customers. In the same reports, total customer participation was 28,838 in 2008, 32,621 in 2009, and 32,356 in 2010. Columbia has not done any analysis to determine whether wholesale natural gas prices actually impacted the level of customers participating in the program.

**COLUMBIA GAS OF KENTUCKY, INC.
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Data Request 008:

Explain whether Columbia is convinced that the program has been functioning satisfactorily for all parties since it was extended in Case No. 2008-00195.¹

Response:

Columbia believes the program has been functioning satisfactorily since it was extended in Case No. 2008-00195. The market is active with customer participation, marketer offerings, expended marketer participation, few customer complaints, operational effectiveness and reliable service.

¹Case No. 2008-00195, The application of Columbia Gas of Kentucky, Inc. to Extend Its Small Volume Gas Transportation Service (Ky. PSC Nov. 7, 2008).

**COLUMBIA GAS OF KENTUCKY, INC.
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Data Request 009:

Describe any problems that Columbia has experienced with the Choice Program since it was extended in Case No. 2008-00195.

Response:

Since the Choice Program was extended in Case No. 2008-00195, Columbia has experienced relatively few problems. There have been a few issues in the area of marketer promotions and solicitations. Columbia has utilized the provisions of its tariff, including the Code of Conduct for marketers, to address each instance with the appropriate marketer. To Columbia's knowledge, all concerns have been addressed and satisfactorily resolved through this process.

COLUMBIA GAS OF KENTUCKY, INC.
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Data Request 010:

Provide the number and details of Choice Program customer complaints received in 2008, 2009 and year-to-date 2010, broken down by marketer.

Response:

Calendar Year 2008 – Total Choice Complaints 10

IGS – Total 1

Rate Question – 1

MxEnergy - Total 9

Unauthorized Enrollment - 1

Unsatisfactory Resolution - 4

Rate Question – 1

Marketer Solicitation - 3

Calendar Year 2009 – Total Choice Complaints 31

IGS – Total 19

Unauthorized Enrollment – 4

Unsatisfactory Resolution – 7

Rate Question – 5

Marketer Solicitation – 3

MxEnergy – Total 12

Unauthorized Enrollment – 3

Unsatisfactory Resolution – 6

Rate Question - 1

Marketer Solicitation – 2

Calendar Year 2010 – Total Choice Complaints 13

Gateway Energy – Total 2

Unsatisfactory Resolution – 2

IGS -- Total 6

Unsatisfactory Resolution – 1

Rate Question – 1

Restore Choice/Disconnected in error – 4

MxEnergy – Total 4

Unauthorized Enrollment – 2

Restore Choice/Disconnected in error – 2

Volunteer Energy Services – Total 1

Marketer Solicitation – 1