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Public Service
Commission

November 17, 2016

Via Federal Express
Ms. Talina R. Mathews
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602

Re: Adjustment of Rates of Columbia Gas of Kentucky, Inc.; Case No. 2016-162

Dear Ms. Mathews:

The purpose of this letter is to address tariff revisions proposed by Columbia Gas of Kentucky, Inc. ("Columbia") in the above-referenced matter that, if approved by the Kentucky Public Service Commission ("Commission"), will materially harm Color Point, LLC's business operations. Color Point, LLC is a Direct Services customer in Columbia's service territory and obtains services from a gas marketer. The tariff language proposed by Columbia that will harm [Color Point, LLC] is outlined below.

First, Columbia proposes modifications to Tariff Sheet No. 89, Paragraph 1, which would grant it unrestricted authority to designate alternative points of delivery and require deliveries of customer-owned natural gas at other points of receipt from time to time. Color Point, LLC anticipates that this provision will increase its commodity costs, as requiring gas to be delivered to a different receipt point typically increases costs as the gas has to be sourced from a more expensive region.

Second, Columbia proposes to revise Tariff Sheet No. 89, Paragraph 1, to allow Columbia to return Delivery Services customers to Sales Service "due to the customer's failure to deliver gas to Columbia for a period of at least five consecutive days."[1] Color Point, LLC submits that being returned to Columbia's sale service pursuant to the proposed provision would be unnecessary, inappropriate and would penalize it for not using gas on a daily basis even though Columbia would not be harmed by such nonuse. More specifically, the proposed provision would interfere with Color Point, LLC's supply contract, potentially resulting in a loss of savings. Moreover, being forced onto a non-negotiated sales service gas price will impact its budget and cash flow for planned commodity costs.

Lastly, Color Point, LLC opposes Columbia's proposal to change its cash-out methodology in Paragraphs B and D on Tariff Sheet No. 91. Columbia proposes that gas be sold at the higher of (1) 120% of the average index price plus applicable costs to the city gate; or (2) 120% of the highest city gate equivalent commodity purchase by Columbia during the month. Correspondingly, Columbia proposes that where it purchases gas from a customer, the customer price be the lower of: (1) 80% of the average index price; or (2) 80% of the lowest city

[1] Cooper Direct Testimony at 8.

gate equivalent commodity purchase by Columbia during the month. Transitioning from the current cash-out methodology that utilizes market index pricing to a methodology that relies on commodity purchases made by Columbia is troublesome as it lacks transparency and would eliminate Columbia's incentive to purchase its last increment at a reasonable price. Color Point, LLC submits that this provision would force transportation customers like Color Point, LLC to subsidize such costs for sales service customers and subject transportation customers to higher priced gas costs.

As described above, the tariff provisions proposed by Columbia for Delivery Services customers are burdensome and will negatively impact Color Point, LLC's business. Consequently, Color Point, LLC respectfully urges the Commission to reject the above-mentioned tariff language proposed by Columbia.

Sincerely,

Art VanWingerden
Member