

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF COLUMBIA GAS)	CASE NO.
OF KENTUCKY, INC. FOR APPROVAL OF THE)	2022-00049
GREEN PATH RIDER PILOT PROGRAM)	

ORDER

On December 29, 2022, Columbia Gas of Kentucky, Inc. (Columbia Kentucky) tendered an application for approval of its proposed Green Path Rider Pilot Program Tariff (Green Path Rider). The application was found deficient. After notice of a deficiency, Columbia Kentucky filed a motion for a deviation or a declaratory Order.¹ The Commission denied the deviation and required Columbia Kentucky to publish notice of the proposed program.² After several issues with notice,³ the application was subsequently deemed filed on May 3, 2023.

Based on the filing date, the earliest possible effective date for the tariff was June 2, 2023. However, Columbia Kentucky proposed that the Green Path Rider become effective July 1, 2023. The Commission found that an investigation was necessary to

¹ Columbia Kentucky's Motion for Declaration or Motion for Deviation (filed Jan. 30, 2023).

² Order (Ky. PSC Feb. 10, 2023).

³ Columbia Kentucky's proof of publication and motion for deviation (filed Mar. 13, 2023). The Commission denied the deviation and found the notice to be incomplete in an Order issued on March 24, 2023. On April 24, 2023, Columbia Gas filed a motion for deviation for more time to publish notice. The Commission granted that motion on May 5, 2023. Notice was successfully completed on May 3, 2023.

determine the reasonableness of the Green Path Rider, and, by Order entered June 6, 2023, the tariff was suspended for five months up to and including November 30, 2023.⁴

On July 19, 2023, XOOM Energy Kentucky, LLC (XOOM) filed a motion to intervene claiming it would represent an interest not currently represented. The Commission denied the request for intervention by Order entered August 1, 2023. No other party sought intervention in this matter. Columbia Kentucky responded to three rounds of discovery from Commission Staff. On September 19, 2023, pursuant to the procedural schedule included in the Commission's June 6, 2023 Order, Columbia Kentucky filed a motion requesting that the case be decided based on the existing record. The matter now stands submitted for decision.

LEGAL STANDARD

The Commission has exclusive jurisdiction over the regulation of rates and service of utilities in Kentucky under KRS 278.040(2). Pursuant to KRS 278.030(1), a utility may demand, collect and receive fair, just and reasonable rates and, pursuant to KRS 278.030(2) that the service rendered and conditions under which service is to be rendered by the utility must be adequate, efficient and reasonable. KRS 278.190 permits the Commission to investigate any schedule of new rates to determine its reasonableness.

BACKGROUND

Columbia Kentucky proposed to adopt a five-year pilot Green Path Rider tariff. The proposed tariff consists of a voluntary program in which residential and commercial sales service customers may choose to opt-in to a volumetric rate, the collections of which

⁴ Order (Ky. PSC June 6, 2023).

would be used to offset the carbon emissions generated by the participating customers' usage. Columbia Kentucky stated that some customers and investors have recently shown increased interest in the role of energy companies in developing and implementing energy technologies that ensure a steady, affordable, and sustainable energy supply, while at the same time promoting customer efficiency, strengthening communities, spurring economic development, and protecting and preserving shared natural resources.⁵ According to Columbia Kentucky, the Green Path Rider would further its efforts to develop offerings that further decarbonization goals, empowering its customers to offset the carbon emissions associated with half or all their monthly energy usage with renewable resource attributes.⁶

Columbia Kentucky also referenced an October 2021 strategy document issued by Kentucky Governor Andrew Beshear's office that listed guiding policies applicable to the energy sector. Columbia Kentucky quoted the guiding policies, saying that fuel diversity enhances economic stability.⁷ Columbia Kentucky concluded that the Green Path Rider would provide an optional mechanism allowing its customers to take advantage of diverse fuel options and accommodate their preferences or environmental sustainability goals.⁸

The Green Path Rider proposed two tiered options: (1) a 50 percent option which would allow a customer to offset half of their natural gas carbon emissions, and (2) a "Net

⁵ Direct Testimony of Erich Evans (filed Dec. 29, 2022) at 4.

⁶ Direct Testimony of Judy M. Cooper (filed Dec. 29, 2022) at 4–5.

⁷ Direct Testimony of Judy M. Cooper at 6.

⁸ Direct Testimony of Judy M. Cooper at 6.

Zero” option that would enable a customer to offset the entirety of their carbon emissions.⁹ To achieve the offset of the participating customers’ carbon emissions at their chosen level, Columbia Kentucky proposed to procure credits for the environmental attributes of renewable natural gas (RNG) and carbon offsets.¹⁰ Customers opting in to the Green Path Rider would be charged a fixed fee per Mcf, in addition to their existing tariff rates, which are calculated to recover the cost of the RNG, carbon offsets and the administration costs of the program.¹¹ Columbia Kentucky stated that its affiliate, NiSource Corporate Service Company, Inc., is working with a third party to purchase the environmental attributes necessary to offset the emissions of participating customers of NiSource operating companies which have carbon offset programs approved.¹²

The rates proposed for the first year of the Green Path Rider pilot are \$1.7883 per Mcf for the 50 percent option and \$3.5766 per Mcf for the Net Zero option.¹³ Columbia Kentucky stated that by applying the average usage of a residential customer, the average monthly charge would be \$10.02 for the 50 percent option and \$20.03 for the Net Zero option.¹⁴ The calculations of the proposed charges are comprised of the negotiated price of the RNG environmental attributes and carbon offsets procured from

⁹ Application at 4.

¹⁰ Application at 2.

¹¹ Direct Testimony of Erich Evans at 3–4.

¹² Direct Testimony of Andrew Campbell (filed Dec. 29, 2022) at 4.

¹³ Application at 2.

¹⁴ Application at 3.

the third-party supplier, costs related to information technology (IT) programming, and costs related to customer education.¹⁵

Columbia Kentucky proposed to recalculate the Green Path Rider's rate on an annual basis.¹⁶ At least 90 days prior to the effective date of the new rates, Columbia Kentucky stated it will file a tariff for the Commission's approval with the new rates based on the updated price of the procurement of the environmental attributes for participating customers.¹⁷

DISCUSSION AND FINDINGS

As support for the reasonableness and the necessity for the proposed program, Columbia Kentucky described and provided the results from a survey that was conducted by Experian Information Solutions on behalf of NiSource Corporate Services Company (NiSource) regarding green offerings.¹⁸ Customers of NiSource operating companies were surveyed regarding their desire for green offerings and the likelihood that they would participate in such programs.¹⁹ Columbia Kentucky reported results of the survey of its own customers as follows: 77 percent said that customers should be given a choice of using renewable energy; 63 percent said that using RNG was appealing to them; and 15 percent of the customers indicated that they are willing to pay more for renewable

¹⁵ Application at 3; Direct Testimony of Erich Evans at 8.

¹⁶ Application at 3.

¹⁷ Application at 3–4.

¹⁸ Columbia Kentucky's Response to Commission Staff's First Request for Information (Staff's First Request) (filed June 23, 2023), Item 2, Attachment A.

¹⁹ Direct Testimony of Andrew Campbell at 4–5.

energy.²⁰ Columbia Kentucky clarified that the amounts are based on a survey of 87 of its residential customers, which it said showed increasing awareness over results from a similar 2018 survey of 141 customers.²¹ Making the Green Path Rider available to its customers would increase the exposure and knowledge of these options for its customers, according to Columbia Kentucky.²²

In response to Commission Staff's request for information concerning the participation level of its customers in the most recent survey, Columbia Kentucky indicated that the responses represented 0.6 percent of the residential customer base.²³ When questioned regarding the statistical significance of the survey results, Columbia Kentucky responded that it did not intend for the survey to be statistically significant, as the proposed program is voluntary.²⁴ According to Columbia Kentucky, the survey was designed to determine whether there was any customer interest in programs involving renewable energy, and Columbia Kentucky maintained that the survey results indicate the existence of some interest.²⁵ Columbia Kentucky stated it did not consider it necessary to ensure a statistically significant survey response because only program participants would pay for the cost of the program.²⁶ Columbia Kentucky did not offer any

²⁰ Direct Testimony of Erich Evans at 7–8.

²¹ Direct Testimony of Erich Evans at 8, footnote 1.

²² Direct Testimony of Erich A. Evans at 7–8.

²³ Columbia Kentucky's Response to Staff's First Request, Item 8(a).

²⁴ Columbia Kentucky's Response to Staff's First Request, Item 8(c).

²⁵ Columbia Kentucky's Response to Staff's First Request, Item 8(c).

²⁶ Columbia Kentucky's Response to Staff's First Request, Item 8(c).

other supporting studies or information to support the program as either reasonable or necessary.

The Commission's concern with Columbia Kentucky's reliance on the survey results is two-fold. First, despite Columbia Kentucky's contention that statistical significance is unnecessary, the Commission does not agree that the results reported indicate interest sufficient to launch a program and engage a third party to arrange for RNG alternatives. Columbia Kentucky is required to provide adequate, efficient, and reasonable service, and may establish reasonable rules related to how it conducts business and the conditions under which it provides service.²⁷ The service Columbia Kentucky is obliged to provide is natural gas service, not carbon offsets or environmental attributes. The Commission is supportive of providing customers choice and product differentiation, insofar as customers seek it. However, the likelihood of customer participation in a program for which customers would pay on average \$10.02 or \$20.03 more than their monthly bill is low, in the Commission's estimation, especially considering that the program-related charges would be even higher in cold weather months due to increased usage for heating. The Commission considers the survey results speculative in predicting customer participation and is not willing to rely on these results in approving a tariff, even on a pilot basis, when it appears likely to cause customers to pay more for a program that could be doomed to failure due to insufficient interest relative to its cost.

The Commission's second concern with the survey results is the extent to which they were used to calculate proposed rates for the Green Path Rider program. Of necessity, Columbia Kentucky had to estimate both customer participation and

²⁷ KRS 278.030(2).

associated volumetric usage as a starting point for rates. For reasons previously stated, the Commission has little confidence that the rates could be considered fair, just and reasonable due to the lack of statistical significance of the survey results.

The Commission takes note that similar programs proposed by NiSource and its affiliates were not approved in Pennsylvania, Maryland and Ohio.²⁸ Even though none of those decisions are binding on this Commission, the information and reasoning are instructive. Regarding the tariff proposed by Columbia Gas of Pennsylvania, the Public Utility Commission of Pennsylvania stated that the tariff was neither reasonable and necessary, nor in the public interest.²⁹ The Pennsylvania opinion noted that the surveys used to support the tariff were generalized, vague and limited in usefulness.³⁰ The Public Service Commission of Maryland issued a letter stating the tariff was “not in the public interest for Maryland because it does not service to preserve the environmental quality within the State, including reducing Maryland’s statewide greenhouse gas emissions.”³¹ While this Commission does not rely on the outcomes of cases and filings in other jurisdictions to inform our decisions, the concerns expressed in Pennsylvania and Maryland mirror our own.

This Commission likewise finds the survey results to be generalized and limited in usefulness, and that the purchase of environmental attributes does little, if anything, to address decarbonization goals specific to interested consumers. Even with a tariff and

²⁸ Columbia Kentucky’s Response to Commission Staff’s Second Request for Information (Staff’s Second Request) (filed July 21, 2023), Item 3.

²⁹ Columbia Kentucky’s Response to Staff’s Second Request, Item 3, Attachment B at 28.

³⁰ Columbia Kentucky’s Response to Staff’s Second Request, Item 3, Attachment B at 46.

³¹ Columbia Kentucky’s Response to Staff’s Second Request, Item 3.

program established as a five-year pilot, the Commission fears the possibility that relatively few participating customers will cause the continuation of a program that has insufficient appeal to make it truly viable or bring about the attainment of any customer-specific environmental or economic goals. Furthermore, based on the record, it doesn't appear that Columbia Kentucky is providing a product materially different than customers could contract for themselves, including on secondary markets. The proposal for instance, is not for some special type of gas, but rather financial products purchased and then resold by Columbia Kentucky.

Columbia Kentucky does not know how many participants the program will have, and the surveys are not helpful in making that determination. However, the company has stated that the participants will bear the cost of the program. The Commission has grave concerns about a rate to be charged for an optional service that is neither known or firm, nor knowable. Columbia Kentucky's proposed method for recovery of costs, which would spread the initial costs and ongoing operating expense associated with the rider among the customers which elect to participate, is not easily calculated. An unknown number of participants will bear an unknown cost which may in the end affect the number of participants.

Columbia Kentucky has a responsibility to its customers to provide adequate, efficient and reasonable gas service at the lowest reasonable cost possible. Expanding service to financial products to satisfy a speculative interest for less than one percent of customers³² does not effectuate increased adequate, efficient, and reasonable service. Columbia Kentucky currently offers and participates in the Choice program. The Choice

³² Columbia Kentucky's Response to Staff's First Request, Item 8(a).

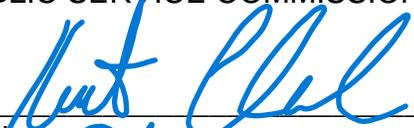
program includes marketers that offer customers environmentally friendly programs. Customers have the option to choose those offerings.

Based on the above discussion, the Commission finds that Columbia Kentucky has not demonstrated that the Green Path Rider is needed or is a reasonable or efficient condition under which to provide natural gas service. Columbia Kentucky has not established the reasonableness of the proposed rates, and has not identified sufficient benefit to any customers that might choose to participate. The Commission therefore rejects Columbia Kentucky's proposed pilot Green Path Rider program.

IT IS THEREFORE ORDERED that:

1. Columbia Kentucky's proposed Green Path Rider is denied.
2. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION



Chairman



Vice Chairman



Commissioner

ENTERED
OCT 30 2023
KENTUCKY PUBLIC SERVICE COMMISSION ^{rCS}

ATTEST:



Executive Director

*L. Allyson Honaker
Honaker Law Office, PLLC
1795 Alysheba Way
Suite 6202
Lexington, KENTUCKY 40509

*Brittany H. Koenig
Honaker Law Office, PLLC
1795 Alysheba Way
Suite 6202
Lexington, KENTUCKY 40509

*Judy M Cooper
Director, Regulatory Services
Columbia Gas of Kentucky, Inc.
2001 Mercer Road
P. O. Box 14241
Lexington, KY 40512-4241

*John R. Ryan
Columbia Gas of Kentucky, Inc.
2001 Mercer Road
P. O. Box 14241
Lexington, KY 40512-4241

*Joesph Clark
NiSource
290 W. Nationwide Blvd
Columbus, OHIO 43215

*Columbia Gas of Kentucky, Inc.
290 W Nationwide Blvd
Columbus, OH 43215