COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF ELECTRONIC TARIFF FILING OF COLUMBIA GAS OF KENTUCKY, INC. TO EXTEND ITS SMALL VOLUME GAS TRANSPORTATION SERVICE.	: : : : :	CASE NO. 2021-00386

DIRECT TESTIMONY
AND EXHIBITS

OF

JAMES L. CRIST, P.E.

ON BEHALF OF

INTERSTATE GAS SUPPLY, INC.,
CONSTELLATION NEW ENERGY GAS DIVISION, LLC, AND
XOOM ENERGY KENTUCKY, LLC

Statement No. JC1
March 25, 2022

Q. PLEASE STATE YOUR NAME, AND ON WHOSE BEHALF YOU ARE TESTIFYING?

A. I am James L. Crist, President of Lumen Group, Inc., a consulting firm focused on regulatory and market issues. My business address is 4226 Yarmouth Drive, Suite 101, Allison Park, Pennsylvania 15101. I am presenting testimony on behalf of Interstate Gas Supply, Inc, ("IGS"), Constellation New Energy- Gas Division, LLC ("CNEG"), and XOOM Energy Kentucky, LLC ("XOOM").

Q. DO YOU HAVE ANY QUALIFICATIONS OR OTHER SPECIALIZED KNOWLEDGE THAT WOULD ASSIST THE KENTUCKY PUBLIC SERVICE COMMISSION ("COMMISSION") IN ITS DELIBERATIONS IN THIS CASE?

A. Yes. I have a B.S. in Chemical Engineering from Carnegie Mellon University and an MBA from the University of Pittsburgh. Additionally, I am a Registered Professional Engineer in the Commonwealth of Pennsylvania.

Q. BRIEFLY DESCRIBE YOUR RELEVANT BUSINESS QUALIFICATIONS.

A. I have conducted a consulting practice for the past 26 years focused on regulated and deregulated energy company strategy, market strategy, and regulatory issues. During 2004 and 2005, I undertook a consulting assignment as the Vice President of Consumer Markets for ACN Energy ("ACN"). ACN is a gas and electric marketer that is active in eight states. During 1997 and 1998 I took a consulting assignment with WeatherWise USA, the developer of a fixed bill product. Prior to my consulting practice, I worked at three major energy companies for a total of 19 years. Most recently I was Vice President of Marketing for Equitable Resources. In that function I was responsible for the development of the company's deregulated business strategy.

Prior to that I was Vice President of Marketing for Citizens Utilities ("Citizens"), responsible for gas, electric, water and wastewater marketing activities in several service territories within the United States. The gas and electric utility operations were in Vermont, Louisiana, Arizona, Colorado, and Hawaii. Under my direction, Citizens initiated commercial and industrial transportation and supply services at its gas operation in Arizona. I also directed significant gas supply contracting activities with large industrial and commercial customers in Citizens' gas operation in Louisiana.

Before that, during 1988 through 1994, I was the Marketing Director at the Peoples Natural Gas Company where I was actively involved in many gas transportation programs as the company relaxed transportation requirements so that customers would have supply choices. In that role I developed the first residential gas choice program in the country.

From 1977 through 1988, at Consolidated Natural Gas and the East Ohio Gas Company, I held several engineering and technical management positions encompassing work on energy conversion technology, coal gasification, and combined heat & power ("CHP") systems. I have conducted training sessions on CHP for the Gas Technology Institute ("GTI") and the Association of Energy Engineers, and served as a Project Advisor on GTI's Cogeneration Advisory Committee.

In summary, I have considerable experience in several states involving residential, commercial, and industrial customer energy procurement, regulatory issues, and industry restructuring programs.

In addition to my current consulting practice, I am a Visiting Faculty Scholar at the Katz Graduate School of Business at the University of Pittsburgh.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION?

A. No. However, I have provided testimony on a variety of issues relating to energy procurement, industry restructuring, and customer choice before regulatory commissions in Arizona, Illinois, Maryland, New Mexico, Ohio, Pennsylvania, Wyoming, and the U.S. Virgin Islands.

Q. PLEASE BRIEFLY DESCRIBE IGS.

A. IGS is a privately held, family-owned Ohio Corporation with its principal office being at 6100 Emerald Parkway, Dublin, Ohio 43016. IGS is an active supplier in the Choice Program and supplies tens of thousands of natural gas customers in Columbia's service territory.[1] IGS exclusively offers a fixed-rate carbon-neutral natural gas product to new Kentucky customers. [2] IGS also provides non-commodity products and services to customers in Columbia's service territory, including Home Warranty services.

Q. PLEASE BRIEFLY DESCRIBE CNEG.

A. CNEG is an active supplier in the Choice Program and supplies several thousand customers through the Choice Program.[3] CNEG is a Kentucky limited liability company with its natural gas office located at 9400 Bunsen Parkway, Suite 100, Louisville, Kentucky 40220. CNEG comparably has a smaller market share in the Choice Program but it is an active marketer in many states nationwide and is the largest provider of clean energy and

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[1] *See* Case No. 2021-00386, *In the Matter of Electronic Tariff Filing of Columbia Gas of Kentucky, Inc. to Extend its Small Volume Gas Transportation Service*, Interstate Gas Supply, Inc's ("IGS") and Constellation New Energy, Gas Division, LLC ("CNEG") Amended Motion to Intervene at p. 1.
[2]https://www.igs.com/signup
[3] *See* Case No. 2021-00386, *In the Matter of Electronic Tariff Filing of Columbia Gas of Kentucky, Inc. to Extend its Small Volume Gas Transportation Service*, Interstate Gas Supply, Inc's ("IGS") and Constellation New Energy, Gas Division, LLC ("CNEG") Amended Motion to Intervene at p. 1.

sustainable solutions to homes, business, and public sector customers across the United States.

Q. PLEASE BRIEFLY DESCRIBE XOOM.

A. XOOM is a Kentucky limited liability company. XOOM operates in numerous jurisdictions throughout the Eastern U.S., California, and Canada in addition to Kentucky. XOOM is part of the NRG Energy, Inc. ("NRG") corporate family which includes other natural gas and electricity retail suppliers that collectively serve over six million electricity and natural gas customers across 24 states, the District of Columbia, and eight provinces in Canada. In 2020, the NRG retail companies supplied to their customers approximately 152 TWH of electricity and 914 MMDth of natural gas.[4] IGS, CNEG and XOOM are supportive of Columbia's Application.

Q. WHAT ARE THE ISSUES YOU WILL DISCUSS?

A. After a review of Columbia Gas of Kentucky's ("Columbia" or "Company") filing to extend its Small Volume Gas Transportation Service ("Choice Program"), I have identified issues that impact natural gas suppliers, and their customers or potential customers. First, I will review the history of customer choice in the domestic natural gas industry, and specifically within Kentucky. The Company has proposed a continuation of its Choice Program so that customers may continue to make their own decisions regarding selection of their gas supplier. I will review the components of Columbia's filing and will explain why it is important to extend the program and why customers would be harmed if the program is terminated. Next, I will explain how the competitive market has fostered the

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[4] *See* Case No. 2021-00386, *In the Matter of Electronic Tariff Filing of Columbia Gas of Kentucky, Inc. to Extend its Small Volume Gas Transportation Service*, XOOM Energy Kentucky, LLC's Motion to Intervene at ¶ 2.

development of innovative products that provide value for consumers. I will then explain what it is important to improve and increase the consumer education of the Choice Program and offer consumer education recommendations. Finally, I will explain why it is important for the Kentucky Public Service Commission to extend the Program, so that residential and commercial customers in Columbia's service territory can continue to enjoy the benefits associated with a competitive energy market.

I. OVERVIEW OF COLUMBIA'S CHOICE PROGRAM

Q. HAVE YOU REVIEWED COLUMBIA'S CHOICE PROGRAM?

A. Yes. Based upon my review, it is my opinion that Columbia has had a longstanding and successful Choice Program since 2000 when the initial Choice pilot program began.[5]. That initial pilot program expired on March 31, 2005.[6] Columbia's new pilot Customer Choice Program became effective on April 1, 2005[7], and by subsequent Orders, the most recent dated June 19, 2017, was extended through March 31, 2022.[8] The Choice Program allows Columbia customers to choose who supplies the natural gas commodity for their home or business. Company witness Judy Cooper ("Ms. Cooper") describes the current Choice Program, and the planned Choice Program extension in her Direct Testimony.[9] She explains that the Company is in compliance with the Commission's Order of June 19, 2017,

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[5] *See* Case No. 1999-00165, *In the Matter of the Tariff Filing of Columbia Gas of Kentucky, Inc. to Implement a Small Volume Transportation Service, to Continue its Gas Cost Incentive Mechanisms, and to Continue its Customer Assistance Program*, Order (Jan. 27, 2000) at p. 28.
[6] *See* Case No. 1999-00165, *In the Matter of the Tariff Filing of Columbia Gas of Kentucky, Inc. to Implement a Small Volume Transportation Service, to Continue its Gas Cost Incentive Mechanisms, and to Continue its Customer Assistance Program*, Order (Sept. 25, 2003) at p. 5.
[7] *See* Case No. 2004-00462, *In the Matter of the Application of Columbia Gas of Kentucky, Inc. to Implement a New Small Gas Volume Gas Transportation Service, a Gas Price Hedging Plan, an Off-System Sales and Capacity Release Revenue Sharing Mechanism, and a Gas Cost Incentive* Mechanism, Order (Mar. 29, 2005) at p. 1, 9.
[8] *See* Case No. 2017-00115, *In the Matter of Tariff Filing of Columbia Gas of Kentucky, Inc. to Extend its Small Volume Gas Transportation Service*, Order (Jun. 19, 2017) at p. 4.
[9] *See* Direct Testimony of Judy Cooper at 4.

in Case No. 2017-00115, and the filing seeks to extend the Choice Program for an additional three years to March 31, 2025.[10]

Q. HAVE YOU REVIEWED THE TARIFF PROPOSED FOR EXTENDING THE CHOICE PROGRAM?

A. Yes, I have reviewed the tariff filing and the only change proposed is the extension of the program to March 31, 2025.[11] The operation rules of the existing program that Columbia and the gas suppliers are familiar with are not changing and there should be no disruption of service due to this program extension. The Company has accounting and billing systems that have proven to be more than adequate billing a variety of choice products and has identified capacity allocation procedures to assign interstate pipeline capacity to the choice supplier. There is no good reason not to allow such an extension.

Q. DO YOU BELIEVE THE CHOICE PROGRAM SHOULD BE EXTENDED?

A. For reasons described in my testimony, I am supportive of Columbia's request to extend the program.

Q. WHAT IS THE CURRENT STATUS OF COLUMBIA'S CHOICE PROGRAM?

The Commission issued an Order on March 17, 2022 that extended the Program under its current terms and conditions until a final Order is entered in this case.[12]

Q. WHY IS THAT ORDER RELEVANT?

A. In the absence of that Order, the Program would have expired on March 31, 2022, which would have forced all residential and commercial customers that participate in the Choice

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[10] *See* Direct Testimony of Judy Cooper at 4:7-9, 18-20.

[11] *See* Case No. 2021-00386, *In the Matter of Electronic Tariff Filing of Columbia Gas of Kentucky, Inc. to Extend its Small Volume Gas Transportation Service*, Tariff Filing.

[12] *See* Case No. 2021-00386, *In the Matter of Electronic Tariff Filing of Columbia Gas of Kentucky, Inc. to Extend its Small Volume Gas Transportation Service*, Order (Mar. 17, 2022) at p. 4.

Program to abrogate their contracts with their chosen natural gas supplier(s) and receive natural gas supply service from Columbia instead. Indeed, Columbia confirmed that had the Commission not issued an order extending the current March 31, 2022 expiration date, it would have returned "all CHOICE program participants to the applicable general sales rate schedule effective with Columbia Kentucky's April 2022 billing cycle [and] Columbia would begin supplying the natural gas commodity to the customers rather than the customer's previously selected Customer CHOICE provider."[13] Fortunately, the Commission recognized that such an abrupt and forced switch would cause significant disruption in the Choice Program; therefore, the Commission issued an Order that formally extended the Choice Program until a final order is issued in this case.

Q. WOULD A COMMISSION ORDER NOT TO EXTEND COLUMBIA'S CHOICE PROGRAM HARM CONSUMERS?

A. Yes. A Commission decision not to extend the Program would interfere with a residential or commercial customer's existing decision to receive service from their chosen supplier. For example, I am aware of at least one supplier that currently offers three different fixed-rate natural gas products to residential customers that are 12-months, 24-months, and even 60-months in duration. Given the recent volatility in natural gas prices, a customer may choose to enroll in one of those fixed rate products to enjoy price stability and hedge against the short-term fluctuations commonly associated with the utility's default service price. Regardless of their motivations for choosing to enroll with a supplier, customers have made an affirmative decision to receive their natural gas commodity from an entity other than Columbia and, therefore, should not be forced to return to utility default service at the

[13] Columbia Gas of Kentucky, Inc.'s Response to Staff's Second Request for Information. Question 3.

conclusion of this case. In my opinion, doing so would seriously harm suppliers and their customers who have entered into gas supply service agreements.

II. PRODUCT DIFFERENCES BETWEEN SUPPLIERS AND COLUMBIA

Q. HOW HAS THE CHOICE MARKET EVOLVED SINCE THE IMPLEMENTATION OF THE CHOICE PROGRAM IN 2000?

A. Competitive marketers have developed value-added products that manage natural gas price volatility risk, as well as environmentally-focused products that address greenhouse gas ("GHG") emissions. Such products have proven to be attractive to customers.

Q. DO CHOICE SUPPLIERS OFFER NATURAL GAS SUPPLY PRODUCTS THAT COLUMBIA DOES NOT AND CANNOT OFFER?

A. Yes. Choice suppliers offer a suite of innovative products and services that extend beyond Columbia's default natural gas supply product. These supplier products suppliers offer often involve considerations of product attributes other than the price. As I described above, there are products that offer residential and commercial customers a hedge against risk and short-term pricing volatility (i.e., fixed-rate or flat bill products). My understanding is that some choice suppliers also offer environmentally preferable products, or "green" products, such as carbon-neutral gas. These products not only help customers offset their CO_2 emissions, but also can help entities like Columbia and others meet internal environmental, social, and governance ("ESG") goals.

Q. WHY DO CUSTOMERS CHOOSE TO ENROLL WITH A CHOICE SUPPLIER?

A. My observations about choice markets are that in recent years the majority of customers that choose to enroll with a supplier do so not because they believe they will obtain the absolute cheapest commodity price, but because they wish to protect themselves from price volatility, or they are persuaded by other product benefits such as gift premiums, charitable donations, or environmental benefits.

Q. WHEN YOU SAY, "ENVIRONMENTAL BENEFITS" WHAT IS IT THAT YOU'RE REFERRING TO?

A. For purposes of my testimony in this proceeding, I'm referring to carbon-neutral natural gas products.

Q. WHAT IS CARBON-NEUTRAL GAS?

A. A carbon-neutral natural gas product provides a carbon offset based on the customer's natural gas usage. Such carbon offset projects reduce CO_2 in the atmosphere and are verified through trusted programs like the Climate Action Reserve or Verra's Verified Carbon Standard (VSC) Program.

Q. WHAT ARE CARBON OFFSETS?

A. Carbon offsets represent verified GHG emission reductions resulting from projects such as forestry preservation and management, energy efficiency, renewable energy, chemical processes and industrial manufacturing recycling and sequestration, methane capture, and other carbon capture and sequestration projects. Companies or consumers desiring to achieve a carbon-neutral goal may look to a low-cost option for decarbonizing their onsite natural gas consumption. By purchasing carbon offsets, businesses and consumers can indirectly reduce, or "offset", their on-site GHG emissions. For example, if a business or consumer wishes to reduce its GHG emissions associated with its natural gas consumption, they can buy carbon offsets to match 100% of those GHG emissions. This option does not require the business to modify their facility, nor does it require a consumer to change out the heating equipment in their home, but rather enables them to match their natural gas purchases with carbon offset purchases.

A review of supplier websites indicates that IGS offers a carbon-neutral product with fixed price terms of 12-months, 24-months, and even 60 months.[14] Columbia, on the other hand, offers neither a fixed-rate nor carbon-neutral natural gas product to its customers. Such unique and innovative products were not available several years ago but now can be purchased by Kentucky residential and small business consumers through the Choice Program. Innovation that results from having suppliers that compete with one another is one of the greatest benefits resulting from choice programs nationwide.

Q. ARE NATURAL GAS UTILITIES MANDATED TO PROVIDE CARBON OFFSET FOR THEIR SUPPLY PURCHASES?

A. No. Nationwide the GHG reduction issue has primarily been targeted at electric utilities, but now natural gas utilities are beginning to support GHG reduction goals. Natural gas utilities, however, can achieve those GHG reduction goals through partnerships with competitive market participants. For example, I am aware of a natural gas utility in a neighboring deregulated market that recently filed an application that seeks, in part, to partner with competitive market participants to provide environmentally-friendly products to consumers.[15] The program, as proposed, will be facilitated by the utility. Although the program is voluntary, it places the responsibility on competitive market participants to develop and sell carbon-offset products to customers.[16] The utility would be responsible for customer education, which as I explain below should be a joint effort with suppliers

[14] *See* IGS Energy, *Build Your Plan in Just Two Minutes, Frankfort, KY – 40602*, https://www.igs.com/product-selection (last visited Mar. 23, 2022).
[15] *See* Case No. 22-0180-GA-UNC, *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion Energy Ohio for Approval of Carbon Offset Program*, Application at ¶ 2.
[16] *Id*.

and regulatory agencies, and for validating that suppliers have obtained sufficient certified carbon offsets to fully offset emissions associated with enrolled customers.[17]

III. BENEFITS OF THE CHOICE PROGRAM

Q. WHAT CHOICE PRODUCTS ARE POPULAR WITH CUSTOMERS?

A. Columbia's website lists nine suppliers in its Choice Program. I reviewed the most recent product offerings from those suppliers. Two suppliers, Stand Energy Corporation and Vista Energy did not have detailed pricing information on their websites but did describe fixed-price product offerings available for small business customers. The seven other suppliers did provide details on products available to residential customers and all were offering fixed-price products. The competitive suppliers offered fixed price products which fixes the price per mcf that the customer pays for terms from four months to five years. The attractiveness of a fixed price product is the certainty it provides as it replaces a variable gas price (default service rate or GCA), with a fixed price for the entire term selected by the customer. This product is similarly available to customers in other choice markets.

Q. WHO DETERMINES THE VALUE OF A PRODUCT ATTRIBUTE TO A CUSTOMER?

A. The customer is the person that determines the value of any product attribute, and what holds value for one customer may not hold any value for another customer. Their motivations in choosing a product may differ. While some customers may prefer low prices, others are driven by environmental consciousness, and some may prefer a risk managed price product.

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[17] *Id*.

Q. HOW DO CUSTOMERS INDICATE THEIR PREFERENCES?

A. Customers indicate their preferences through their purchasing decisions. While the price of a product may have some impact on a customer's preference, it is not always the sole characteristic that a consumer evaluates when making a purchase decision. Customers, for example, may prefer the fixed price certainty associated with a risk management product and, therefore, are willing to pay a premium above the posted utility default service price at that time to avoid the risk associated with short-term price volatility.

Q. WHAT ARE EXAMPLES OF RISK MANAGED PRICE PRODUCTS?

A. An example of a consumer risk management product is a fixed-rate product whereby the price of the commodity remains static for the term set forth in the customer's terms of service agreement. The Choice Summary Report asked "What is the greatest benefit you receive from participating in the Customer Choice Program?" The top answer, given by 56.3% of the residential customers stated, "Getting a fixed rate that is the same each month".[18] These customers could have selected the Company's default service product, a no-frills variable price product, or another variable rate product, but instead they appear to have selected a fixed-rate product due to the stability and pricing certainty that product provides.

Because these products are designed to insulate customers against the risks associated with short-term pricing volatility, the price of these products may exceed the utility default service price at times. It would be a mistake, however, to compare high value risk-managed products with the default service product, and then conclude that,

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[18] *See* Case No. 2021-00386, *Electronic Tariff Filing of Columbia Gas of Kentucky, Inc. to Extend Its Small Volume Transportation Service*, Tariff Filing at Attachment A p. 10.

looking backwards in time, that the default service product would have been less costly in a previous timeframe, and that a decision to buy the default service product would have been the correct decision for everyone. I have a few analogies to this expose the illogical conclusion. For example, I paid over $1,000 last year for my homeowner's insurance yet I did not file a claim, but I am not regretful that I had homeowner's insurance. Similarly, several years ago I paid hundreds of dollars annually for term life insurance, and at the end of each year was thrilled that a claim was not filed. I had no regrets that I paid for a risk management product that never paid out.

Risk managed products provide protection against events that can be extremely difficult to predict. Many customers like the peace of mind that having risk managed products provide, even if there is an expense attributed to the risk management function.

Q. WOULD A COMPARISON BETWEEN THE DEFAULT SERVICE PRICE AND VARIABLE PRICE INDEX PRODUCTS BE VALID?

A. No, it would not. Although both products are variable rate products, there may be other beneficial attributes that a supplier offers that the default service product does not. My review of products offered by suppliers in Columbia's Choice program identified one product offering airline miles to customers, and another offering to make charitable donations with a portion of the product price. Other competitive suppliers may have other benefits that they offer along with their index products, so it is not valid to compare the default service price to a supplier's index product.

Q. WHAT CAUSES VOLATILITY IN A CUSTOMER'S MONTHLY GAS BILL?

A. The monthly bill contains the delivery component which compensates Columbia for the distribution of commodity to the customer. Unless the Company has a base rate filing underway, the delivery charges will vary based on the commodity consumption of the customer. The total gas supply costs will vary based on two inputs: (1) the customer's monthly consumption; and (2) the price of gas. If the customer varies the amount of gas they consume that variance will increase or decrease the total gas supply cost. If the price of gas changes obviously that will affect the total gas supply cost. The fixed price products offered by competitive suppliers address the second input (i.e., the price risk), which is why customers like those products.

Q. WHAT HAS BEEN THE TREND OF GAS PRICES OVER THE PAST DECADE?

A. Until 2020, natural gas pricing was relatively stable. Over the past decade we have enjoyed stable prices that have been historically low, often in the $2 - $3 per mmBtu range. Exhibit JC-1 is a graph of data of the Department of Energy, Energy Information Administration of natural gas pricing for 1997 to 2022. During periods of low, stable prices, risk managed products may seem less important to some consumers because their awareness of and experience with potential volatility is not as keen.

Q. WHAT HAS BEEN THE MORE RECENT TREND OF GAS PRICES SINCE 2020?

A. With the onset of the global pandemic in 2020 and its continuation through 2021 to present there have been supply chain disruptions, that coupled with an increase in weather events and climate change, has led to extreme natural gas pricing volatility. Exhibit JC-1 shows the price on January 1, 2021 of $2.36/mmBtu and on March 11, 2022, of $4.79/mmBtu, more than double the January 1, 2021 price. During the past 14-month period prices have been as high as $23.86/mmBtu and as low as $2.43/mmBtu This is evidence of extreme volatility in the natural gas market. With the continuation of the pandemic, the continued turmoil in global energy production regions of the Middle East, and the escalation of political tensions that have resulted in war in the gas producing countries of Russia and the Ukraine, the forecast for 2022 is increasingly volatile. Even if these are resolved in the near term, European countries have already started to put plans in place to increase liquified natural gas imports, which is likely to exacerbate volatility by impacting domestic supply and demand fundamentals. Given the state of the natural gas market, customers in Kentucky should have continued access to products that will protect them from such volatility.

Q. WHAT OTHER ISSUES IMPACT NATURAL GAS PRICING?

A. Weather plays a significant role. For example, during a short period in February 2021, starting February 11 and concluding February 18, gas prices rose dramatically due to the combination of extreme weather high demand and supply delivery issues. Henry Hub natural gas prices prior to the event were \$3.60/mmBtu but jumped on February 11 to \$6.50/mmBtu, hitting a peak on February 17 of \$23.86/mmBtu and had declined to \$3.16/mmBtu by February 22. Prices at trading hubs throughout the areas hardest hit by the winter event showed even higher prices and greater price volatility. This extreme event, known as the February 2021 Extreme Weather Incident, illustrates the risk that consumers are exposed to as events such as this clearly impact the default service price volatility and contribute to the significant price increase in the overall gas market. This places customers receiving their gas through default service at risk of absorbing potential pricing increases.

Q. HOW ARE DEFAULT SERVICE CUSTOMERS AT RISK OF ABSORBING POTENTIAL PRICING INCREASES?

A. Default service customers receive gas that is purchased by the Company which includes baseload purchases, storage gas, and daily spot purchases. The price a default service customer pays is not fixed and every quarter the Company adjusts the price it collects from customers based on the costs it has incurred in gas procurement. Table JC-1 shows Columbia's CGA price in 2021 and 2022.

Table JC-1: Columbia GCA Prices ($/mcf)

2/1/2022	$	7.2046
1/1/2022	$	7.2046
12/1/2021	$	7.2298
11/1/2021	$	5.4029
10/1/2021	$	5.4029
9/1/2021	$	5.4029
8/1/2021	$	4.9177
7/1/2021	$	4.9177
6/1/2021	$	4.9177
5/1/2021	$	4.4128
4/1/2021	$	4.4128
3/1/2021	$	4.4128
2/1/2021	$	4.2538
1/1/2021	$	4.2538
12/1/2020	$	4.2538

The trend in the recent 12 months illustrates a large increase in the default service price. On February 1, 2021 Columbia's default service price was $4.2538/mcf, and one year later on February 1, 2022 it was $7.2046/mcf, a 69% increase in one year.[19] If costs go up, the customers will pay those higher costs, and such costs can be significant. There is no fixed price option for customers taking service from Columbia and there is no cap on the price of the default service product. It is important to maintain the competitive choice market currently enjoyed by Columbia's customers.

Q. WHAT IS THE RISK TO CUSTOMERS TAKING DEFAULT SERVICE?

A. The customers, not Columbia, bear all the risk of price volatility and future price increases.

[19] *See* Table JC-1.

If natural gas prices are volatile, as they are currently, and increase substantially, as we have seen in the past year, such price increases are solely borne by the customer. Columbia through the GCA filing recovers dollar for dollar what it incurred as the gas procurement expense. Any undercollection created because actual purchased prices were greater than the amount Columbia collected from its customers will be recovered from customers in future periods. Customers that are aware of the exposure they have would find a fixed price product attractive because it addresses those concerns.

Q. WHAT PERSONAL EXPERIENCE DO YOU HAVE WITH FIXED PRICE NATURAL GAS PRODUCTS?

A. In September 2021, I chose a fixed price product provided by a competitive marketer as the supply source for my residence in Allison Park, Pennsylvania. The price quoted of $2.99/mcf was not less than the default service price at the time, but I wanted price stability through the winter, so I committed to a 36-month supply agreement. I did not expect to realize significant savings but simply wanted to avoid price volatility and did not want to be responsible for extremely high costs should another Extreme Weather Incident occur. I did not have to wait long for the following month the local distribution utility increased its gas supply price to $4.5303/mcf, a premium of over 50% compared to what I was paying. The default service rate remains in that same range today. My election of a risk managed product has insulated me from the 50% premium I would have paid for the default service product.

Q. DOES COLUMBIA KNOW WHAT PRODUCTS CUSTOMERS ARE RECEIVING FROM COMPETITIVE SUPPLIERS?

A. No. XOOM Set 2-10 asked, "Does Columbia know the price, term, type of product (variable, fixed, green, fixed bill, other) for each CHOICE customer?" and Ms. Cooper replied, "Columbia is not privy to Supplier's pricing options based on contractual agreements made with CHOICE customers."[20] Additionally, she added in her response to XOOM Set 2-8, "Suppliers submit customer account numbers, associated rate codes, and price values per MCF for each rate code to Columbia."[21]

Accordingly, all the Company knows is the amount of mcfs a customer used and what that customer paid for the gas, but Columbia does not know the most important product attribute that persuaded the customer to select the product. Because the Company lacks product data and does not know what customers selected higher value products such as fixed bill, or carbon offset, any cost comparison to default service pricing is misleading for it does not compare apples to apples and therefore paints an incomplete picture. To state the obvious, risk-managed products in general cost more than non-insured products. Any analysis that would portray that such risk management costs associated with developing and offering that product should be free or even cost less than products that have no volatility mitigation attributes is flawed. In life, things that provide value have an expense associated with them.

Q. WHAT IS AN INDICATION OF A SUCCESSFUL COMPETITIVE CHOICE MARKET?

A. Competitive markets have a number of sellers competing for business. Columbia lists nine marketers vying for the patronage of customers.[22] Most of those marketers offer

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[20] *See* Columbia's Response to XOOM Set 2-10, attached as Exhibit JC-2.
[21] *See* Columbia's Response to XOOM 2-8, attached as Exhibit JC-3.
[22] Columbia Gas of Kentucky, *Customer Choice – Make your Choice*, https://www.columbiagasky.com/bills-and-payments/billing-programs/choice (last visited Mar. 23, 2022).

competitive fixed rate products. This makes it straightforward for customers to compare their competitive options and evaluate their potential purchases based on their risk profile. Even the innovative carbon-offset product is a fixed-price product with terms of 1 year up to 5 years.

Q. IS IT POSSIBLE FOR CHOICE PRICING TO BE LOWER THAN THE REGULATED DEFAULT SERVICE OPTION?

A. Yes, the prices offered by suppliers in the Program could be lower than the regulated default service option offered by Columbia, although this is not a requirement. The Choice Program is designed to provide a variety of pricing options for customers. While it is true that the Choice Program itself does not guarantee lower prices, that does not limit any gas supplier from offering lower prices than the regulated default service option, or from guaranteeing that the price provided will be lower than the default service price. A review of publicly available product pricing information from supplier websites indicate that two suppliers currently offer a guaranteed saving compared to Columbia's default service price.[23] For customers that value the lowest price, such a product would be very attractive.

Q. HOW DOES A COMPETITIVE CHOICE MARKET BENEFIT CUSTOMERS THAT CHOOSE DEFAULT SERVICE?

A. Having a choice market has other positive impacts on the supply and price of natural gas in a utility service territory by increasing liquidity in the market area. When you have multiple entities shipping gas to a market area, there is an increase in bilateral transactions between various entities. This can place downward pressure on total prices, including the supply procured by the Company for default service.

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[23] These two suppliers are Volunteer Energy Services, Inc. and Kentucky United Energy.

IV. CUSTOMER EDUCATION

Q. DID YOU REVIEW THE CUSTOMER RESEARCH REPORT DATED JUNE 1, 2021?

A. Yes. The report provided useful information that supports a need for additional customer education about the Choice Program. For example, slightly less than half (48.5%) of the residential customers were aware of Choice.[24] That figure is far too low, demonstrating that Columbia should increase frequency and quality of information it distributes to customers concerning the Choice Program. Because Columbia is the only utility service territory in the state to offer Choice, customers that move into that service territory from other areas of Kentucky or from out-of-state may be unaware that Columbia is just one of many entities that can provide the customer with natural gas supply. New customers on the Company's system that relocate from a natural gas utility that does not offer choice, will not be aware that they now can choose their gas supplier, and that Columbia is not the only choice. A new customer education packet providing information about the customer's right to choose a gas supplier and the list of gas suppliers and how the Choice Program works should be developed in conjunction with the gas suppliers.

Additionally, the survey showed that the majority of residential customers who identified as current participants in the Choice Program (56.3%) felt the greatest benefit they receive from participating in the Choice Program was having a fixed rate.[25] This report was conducted in April 2021, and today we are experiencing increase volatility of

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[24] *See* Case No. 2021-00386, *In the Matter of Electronic Tariff Filing of Columbia Gas of Kentucky, Inc. to Extend its Small Volume Gas Transportation Service*, Tariff Filing, Attachment A at p. 9.
[25] *See* Case No. 2021-00386, *In the Matter of Electronic Tariff Filing of Columbia Gas of Kentucky, Inc. to Extend its Small Volume Gas Transportation Service*, Tariff Filing, Attachment A at p. 10.

natural gas prices due to global market trends and shortages exacerbated by the war in Ukraine. In addition to the market trends, there is an increase in media coverage on energy pricing, again due to the war in Ukraine, and this increases consumer awareness. The logical outcome of such increased awareness should be increased interest in fixed price natural gas supply products. The fact that less than half the customers are aware of the Choice Program, coupled with the fact that the majority of the customers value the benefit of the risk managed fixed bill would predict growth in the Choice Program if there were increased customer education and awareness and the program is extended.

Q. DO YOU RECOMMEND ADDITONAL CUSTOMER EDUCATION?

A. Yes, but I believe that customer education is the job of all parties involved in choice, so that would include the Company, suppliers, and the Commission. Customers that are newly relocated to Kentucky from a non-Choice utility area will need significant education to understand that they can select who supplies their natural gas. For that reason, I recommend additional customer education throughout Columbia's service territory. To improve the effectiveness of the Company's education plan it is important that suppliers not only have input to the plan, but also receive any marketing materials contemporaneous with the dissemination of those materials to customers. All parties would benefit by participating in ongoing stakeholder workshops aimed at developing detailed marketing materials that describe the Program and the products and services available to consumers. When customers call a supplier's contact center, it is important that the customer service representative be aware of the Company's marketing materials including the content, so they can provide consistent information to the customer. Therefore, I also recommend that Columbia provide participating suppliers with these materials on an ongoing basis.

Q. DO YOUR RECOMMENDATIONS BENEFIT COLUMBIA'S CUSTOMERS?

A. Yes. By extending and developing the competitive market, customers throughout Columbia's service territory will be able to make choices on natural gas supply products they wish to purchase. The beauty of the Choice Program is that customers are free to choose their supplier; customers may choose to enroll with a supplier for the reasons described above or a customer may choose to remain on Columbia's default service product. Given that some consumers have experienced natural gas pricing volatility firsthand during 2021 and 2022, it is now more important than ever to ensure that Kentucky customers have the ability to participate in a robust choice program now and in the future.

Q. FOR WHAT PERIOD SHOULD THE PROGRAM BE EXTENDED?

A. The Company has requested an extension for three years, to March 31, 2025, and I would recommend that as a minimum. After two decades as a "pilot," Columbia and the Commission should make the program permanent. As we have seen innovative products such as fixed price and carbon offset offered by competitive marketers with some of those products having a term of 60 months, it would be strongly recommended that the program extension support the actual products in the market that are available and have been selected by customers, therefore I recommend that the Commission extend the program to at least March 31, 2027, if not permanent.

V. CONCLUSION

Q. WHAT WOULD YOU ADVISE THE COMMISSION?

A. These are important times in the energy market and with the global economy working through the burdens of the pandemic, the war in Ukraine, and with domestic inflation at the highest rate in four decades this is the time to push aggressively to see that the customers of Columbia have all available options to manage the increasing risk of natural gas demand and pricing. The program extension should be approved along with increasing customer education about the Choice Program.

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

A. As explained above, I recommend that the Commission:

1. Approve Columbia's tariff filing to extend the current Program through March 31, 2027, if not on a permanent basis. Alternatively, if the Commission wishes it should extend the current program through March 31, 2025 as Columbia recommended in its filing

2. Direct the Company to improve customer education about the Choice Program by improving the materials and increase the exposure of customers to Choice educational materials. Materials should be prepared by the Company and marketers through a collaborative process.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

BEFORE THE
PUBLIC SERVICE COMMISSION
OF THE COMMONWEALTH OF KENTUCKY

IN THE MATTER OF	*	
	*	
ELECTRONIC TARIFF FILING OF	*	
COLUMBIA GAS OF KENTUCKY, INC.	*	CASE NO. 2021-00386
TO EXTEND ITS SMALL VOLUME GAS	*	
TRANSPORTATION SERVICE	*	

VERIFICATION OF JAMES L. CRIST

STATE OF Pennsylvania

COUNTY OF Allegheny

James L. Crist, President of Lumen Group, Inc. being duly sworn, states that he has supervised the preparation of his Direct Testimony in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information, and belief, formed after reasonable inquiry.

James L. Crist

On March 25, 2022, appeared James L. Crist, not in my physical presence but rather appearing remotely by means of communication technology, known to me to be the person who executed the foregoing instrument and acknowledged that he executed the same as his free act and deed.

Kathleen E. Grogan E. Grogan-Farmer NOTARY PUBLIC REG. #7511241 MY COMMISSION EXPIRES 8/31/2023 COMMONWEALTH OF VIRGINIA

Kathleen E. Grogan
Notary Public
formerly Kathleen E Grogan-Farmer
Reg. No. 7511241
My Commission Expires: 8/31/2023

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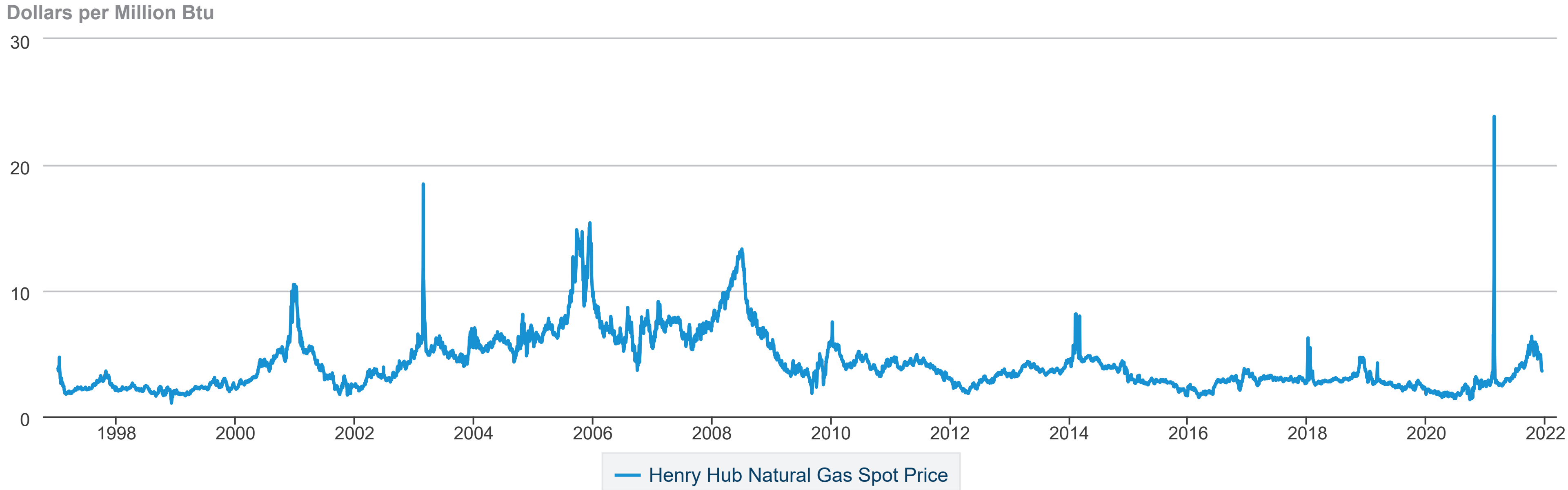
EXHIBIT JC-1

U.S. Energy Information Administration

Henry Hub Natural Gas Spot Price

DOWNLOAD



THOMSON REUTERS

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO XOOM'S SECOND REQUEST FOR INFORMATION
DATED MARCH 4, 2022

Does Columbia know the price, term, type of product (variable, fixed, green, fixed bill, other) for each CHOICE customer? Explain what Columbia does know regarding the types of products CHOICE customers have selected.

Response:

Columbia is not privy to Supplier's pricing options based on contractual agreements made with CHOICE customers. Columbia maintains a neutral role in a customer's choice of a Supplier and encourages its customers to evaluate products offered in the competitive market. Please also refer to Columbia's Response to Xoom's Second Set of Interrogatories, No. 8.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO XOOM'S SECOND REQUEST FOR INFORMATION
DATED MARCH 4, 2022

Explain what customer-specific data Columbia receives from each supplier so that Columbia may determine the supply billing amount it renders.

Response:

Suppliers submit customer account numbers, associated rate codes, and price values per MCF for each rate code to Columbia.