

**BEFORE THE PUBLIC SERVICE COMMISSION OF NEBRASKA**

**IN THE MATTER OF THE JOINT )  
APPLICATION OF SOURCEGAS )  
DISTRIBUTION LLC, SOURCEGAS LLC, )  
SOURCEGAS HOLDINGS LLC, AND )  
BLACK HILLS UTILITY HOLDINGS, INC. ) Application No. NG-0084  
FOR ALL NECESSARY )  
AUTHORIZATIONS AND APPROVALS )  
FOR BLACK HILLS UTILITY HOLDINGS, )  
INC. TO ACQUIRE SOURCEGAS )  
HOLDINGS LLC )**

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**DIRECT TESTIMONY OF EDWARD BROLIN  
CONSTELLATION NEWENERGY – GAS DIVISION, LLC**

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1 ***Q1. WHAT IS YOUR NAME AND BUSINESS ADDRESS?***

2 ***A1.*** My name is Edward Brolin. My business address is 810 Seventh Avenue, Suite 405, New York  
3 NY 10019.

4 ***Q2. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?***

5 ***A2.*** I am employed by Constellation NewEnergy, Inc. as Principal in the Retail Planning and  
6 Development segment of our business. Constellation provides competitive wholesale and retail  
7 electricity and gas supply, energy management and consulting services nationwide.

8 ***Q3. WHAT IS YOUR EDUCATIONAL BACKGROUND?***

9 ***A3.*** I have a Bachelor of Arts in Political Science and American Studies from the University of  
10 Massachusetts, Boston campus.

11 ***Q4. HAVE YOU COMPLETED ANY COURSE OF STUDY OR ATTENDED ANY***  
12 ***PROFESSIONAL SEMINARS?***

13 **A4.** I have attended many conferences and seminars throughout my years working in the energy  
14 industry, with a particular focus on retail market design across multiple jurisdictions.

15

16 **Q5. CAN YOU DESCRIBE YOUR EMPLOYMENT HISTORY?**

17 **A5.** Yes, I have eleven years in the energy industry with experience in competitive markets. My  
18 experience includes operational, analytic, marketing and policy experience for both the C&I and  
19 Mass Markets segments. My career began in marketing. From 2000 until 2004 I worked for  
20 several digital marketing firms in Boston and New York. In 2005, I joined Constellation Energy  
21 in a Sales Support and Retail Analytics role. From 2006-9, I managed the New York office's  
22 Data Management team, working closely with the NY and NJ electric utilities to obtain the  
23 necessary account and historical usage information for our C&I business' operations. From  
24 2009-2012, I served in the role of Manager, Strategic Projects and Initiatives, working on an array  
25 of special projects and system conversions. In 2012, I joined our Mass Markets Marketing team  
26 and managed our New Market Entries as we developed and obtained approvals for our  
27 Residential and Small Commercial business across the United States, a role which subsequently  
28 evolved into my current role.

29

30 **Q6. WHAT ARE YOUR RESPONSIBILITIES IN YOUR CURRENT POSITION WITH**  
31 **CONSTELLATION?**

32 **A6.** I am responsible for advocating for Choice across all markets in which Constellation has a retail  
33 Mass Markets presence, participating in regulatory proceedings, workshops, collaboratives and  
34 technical sessions. I regularly author comments on behalf of Constellation or our trade

35 organizations in such regulatory proceedings. I am also responsible for Product Development and  
36 for managing Constellation's Market Entry activity.

37

38 ***Q7. HAVE YOU PREVIOUSLY TESTIFIED BEFORE A REGULATORY AGENCY?***

39 ***A7.*** No.

40

41 ***Q8. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?***

42 ***A8.*** The purpose of my testimony is to provide an overview of the value of Residential Energy Choice  
43 programs in general, with a focus on the tangible and specific benefits to Nebraska residents  
44 provided by the SourceGas Choice program.

45

46 ***Q9. WHAT ARE THE PRIMARY BENEFITS OF ENERGY CHOICE?***

47 ***A9.*** Energy Choice is fundamentally based on the notion of individual preference, and the efficacy  
48 and fairness of providing the opportunity for consumers to express those preferences. Consumers  
49 are not monolithic in their preferences: different people value different things differently. In the  
50 past (and, regrettably, the present for those US citizens who live in monopoly energy states), all  
51 Nebraska consumers were forced onto an undifferentiated "take-it-or-leave-it" tariff rate. With  
52 energy restructuring and the advent of Choice, consumers have been afforded the opportunity to  
53 express their desires with regard to their energy supply. Consumers may have differing degrees  
54 of comfort with exposure to retail price risk and volatility, or may make a distinction with regard  
55 to the source of the commodity or may wish to choose a product with dramatically different  
56 billing and payment options or those which provide technology-related features that are quite

57 distinct. It is through the expression of the multifaceted desires of consumers and the satisfaction  
58 of those desires that innovation through competition arises; and it is to the benefit of residents in  
59 Choice states that they have the opportunity to find suppliers who are willing and able to satisfy  
60 their desires. As recently expressed in DEFG’s 2015 ABACCUS Report: “[c]onsumers are  
61 exceptionally well informed about their own tolerance for risk, the value of their own leisure time  
62 and their own discount rate for assessing the return on an investment” (*emphasis original*).<sup>1</sup>

63

64 ***Q10. WHAT TYPES OF PRODUCTS ARE SUPPLIERS TYPICALLY OFFERING CONSUMERS***  
65 ***TO SATISFY THEIR DESIRES?***

66 ***A10.*** Product offerings vary by market for a number of reasons, but the most basic value proposition  
67 afforded to consumers in Choice states is the ability to fix their future unit cost of natural gas for  
68 a period of time of their choosing. Generally, Default Service is a variable rate based upon the  
69 fluctuation of the cost of the underlying commodity. As previously mentioned, there are some  
70 consumers who, given a choice, would elect a product with such attributes. Perhaps they believe  
71 that costs are likely to decrease for the foreseeable future. Perhaps they simply are averse to  
72 locking-in to any given price for an extended period of time. But it cannot be said that *all*  
73 consumers share such views and have such preferences...this is not only true *prima facie*, but it is  
74 born-out in the lived experience of competitive suppliers in Choice states who regularly sign  
75 customers for terms of 1, 2 or even 3 year fixed price contracts. In certain states there are other  
76 product offerings which may bundle electric and natural gas, or natural gas and home services (or  
77 all three), or which may have other pricing or billing attributes or value-added services. The key  
78 is that there *is* a choice, and that the very existence of a choice represents an improvement to an  
79 outmoded one-size-fits-all, take-it-or-leave-it approach.

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<sup>1</sup> Distribute Energy Financial Group, *Annual Baseline Assessment of Choice in Canada and the United States 2015*, p.31

80

81 ***Q11. COULDN'T A REGULATED MONOPOLY UTILITY OFFER CONSUMERS CHOICES***  
82 ***FROM AMONG A NUMBER OF REGULATED TARIFF-BASED PRODUCTS?***

83 ***A11.*** Theoretically: yes, but in reality: no; or at least nowhere near as efficiently and dynamically as a  
84 competitive marketplace. The reality is that the choices and options offered through utility  
85 regulation are not as robust as those developed through market forces, and as such, utilities  
86 should not be in the business of narrowing the offerings amongst differentiated products. The  
87 impetus to constantly evolve and explore new and innovative offerings that satisfy consumer  
88 needs in an effort to capture additional market share is absent for regulated utilities, whereas it is  
89 a hallmark of competition and those supporting and participating in competitive markets such as  
90 competitive suppliers. Finally, the extent to which legacy utilities offer differentiated products –  
91 effectively competing for market share with competitive suppliers – in Choice markets- is the  
92 extent to which Choice will be retarded and is likely to ultimately fail for a number of reasons,  
93 including status quo bias.

94

95 ***Q12. ARE THERE REASONS BEYOND THE DIFFERING MOTIVATIONS OF COMPETITIVE***  
96 ***SUPPLIERS AND REGULATED MONOPOLY UTILITIES THAT LEAD YOU TO THE***  
97 ***CONCLUSION THAT PRODUCT DIFFERENTIATION IS MORE PROPERLY THE***  
98 ***PROVINCE OF THE COMPETITIVE MARKETPLACE?***

99 ***A12.*** Yes. Beyond the utilities' lack of incentives to innovate, there are cultural and practical reasons  
100 for conferring product innovation to the realm of competitive suppliers. Participants in a  
101 competitive marketplace are inherently more adroit than are regulated entities. Regulated  
102 Monopoly Utility rate design is by its very nature a slow-moving, deliberative process – as it  
103 quite correctly should be. It is not surprising that decades of experience setting rates through

104 such a process results in a culture that is challenged with regard to innovation and which has a  
105 tendency to move much more deliberately. Conversely, competitive suppliers have innovation  
106 and change imprinted in their very DNA. We frequently see suppliers coming up with new value  
107 propositions for consumers or reacting to the actions of their competitors as they constantly strive  
108 to avoid being left behind. There can be no doubt that consumers enjoy more options, and new  
109 options, more quickly and frequently, in a competitive marketplace. Thus from a cultural  
110 perspective, competitive suppliers provide more value than regulated utilities in the form of  
111 choices to satisfy consumers' needs and, from a practical perspective, they are significantly more  
112 likely than regulated utilities to bring new ideas and products to market more quickly than  
113 regulated monopoly utilities are able to. As a general proposition, consumers will not be well  
114 served by government decision-making that eliminates viable choices in the delivery of energy  
115 products. The current application by Black Hills is ultimately designed to narrow the available  
116 offerings, in actuality to create a monopoly whereby the decision on pricing is force fed to the  
117 population using the gas by way of government acting hand in hand with a provider that does not  
118 have to compete for the attention and loyalty of consumers.

119

120 ***Q13. GIVEN YOUR EXPERIENCE IN OTHER COMPETITIVE MARKETS IN WHICH***  
121 ***CONSTELLATION DOES BUSINESS WITH MASS MARKETS CUSTOMERS, HOW***  
122 ***WOULD YOU ASSESS THE CURRENTLY-EXISTING SOURCEGAS CHOICE***  
123 ***PROGRAM?***

124 ***A13.*** In my role and based on my experience, I am familiar with the vast majority of Choice markets in  
125 the United States, and the SourceGas markets are among the best, most competitive markets.  
126 Constellation has frequently pointed to SourceGas as an example of how utilities, by empowering  
127 suppliers with data and billing options, can foster innovation and enable suppliers to provide  
128 consumers with more and better supply options.

129

130 **Q14. IN WHAT WAY DOES THE UTILITY EMPOWER SUPPLIERS?**

131 **A14.** SourceGas is a unique market in that it is one in which suppliers have perfect information. Each  
132 year, the utility provides suppliers with usage data for all customers, as well as information on  
133 what type of product they are currently being served on. Access to data is an inherent problem in  
134 our industry, and a limiting factor to suppliers' ability to offer products and services. In many  
135 markets, there are substantial barriers to obtaining the information necessary to gain an acceptable  
136 level of comfort with the risks that suppliers need to take to offer certain types of products. This  
137 is best exemplified in the prevalence of Fixed Monthly Bill products behind SourceGas.

138

139 **Q15. CAN YOU EXPLAIN THE FIXED MONTHLY BILL PRODUCT?**

140 **A15.** As its name implies, customers who sign up for a fixed monthly bill product pay a set amount for  
141 their natural gas service every month, with no true-up as is the case with budget billing products  
142 which are prevalent in other markets. This is not to be confused with the Fixed Price product  
143 previously discussed (which has its own benefits terms of price certainty over time) by which the  
144 cents per therm unit cost is fixed, with the monthly total bill amount fluctuating as a function of  
145 the volume of gas consumed. Instead, the customer is offered a set monthly dollar amount based  
146 upon their expected usage. SourceGas is the only natural gas market in which this type of  
147 product is widely offered. And, in fact, in 2014 fully 17% of Nebraska SourceGas customers  
148 were enjoying the benefits of this product and the associated ability to budget for their natural gas  
149 bills each month. SourceGas further empowers suppliers to offer fixed monthly bill products by  
150 offering it as an option on their Utility Consolidated Billing – again, a best-in-class practice  
151 among U.S. utilities.

152

153

154 ***Q16. WHAT IS YOUR RECOMMENDATION FOR THIS PROCEEDING?***

155 ***A16.*** Constellation believes that Nebraska residents have materially benefitted from the SourceGas  
156 Choice program in the 17 years that it has been active, and strongly urges the Commission to  
157 mandate its continuance as a precondition of approval of the Black Hills/SourceGas merger.  
158 Constellation maintains that the elimination or even jeopardization of the program, directly,  
159 indirectly, inadvertently or otherwise through this merger proceeding, by the company acquiring  
160 SourceGas is not in the public interest, and represents a regression to an inferior historical  
161 paradigm.

162 ***Q17. DOES THIS CONCLUDE YOUR TESTIMONY?***

163 ***A17.*** Yes, reserving the right to comment further on statement and submissions submitted to the  
164 Commission after this date.

THE STATE OF NEW YORK  
CITY OF NEW YORK

§  
§  
§

Before me, the undersigned notary public, on this day personally appeared Edward Brolin, to me known to be the person whose name is subscribed to the foregoing instrument, who being duly sworn according to law, deposes and says:

“My name is Edward Brolin. I am over the age of eighteen years and am competent to make this affidavit. All facts stated herein are based on personal knowledge.

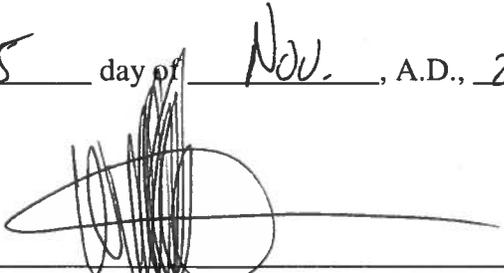
I am employed by Constellation NewEnergy, Inc. (“CNE”) as Principal, Market Planning and Development, and in the course of my employment have personal knowledge of the facts stated in the testimony for Constellation NewEnergy-Gas Division, LLC.

The information contained in the testimony is true and correct to the best of my knowledge and belief.”

Further affiant sayeth not.

  
\_\_\_\_\_  
EDWARD BROLIN

Given under my hand and seal of office this 5 day of Nov., A.D., 2015.

  
\_\_\_\_\_  
Notary Public and for the State of New York

My Commission Expires On:

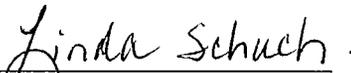
Nov 15 2015



**CERTIFICATE OF SERVICE**

I hereby certify that on November 6, 2015, the foregoing document was served by delivering copies thereof to the individuals/entities below, by e-mail:

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