

1. **Customer Education.**

Sending out a packet is not enough customer education or notification. Social media should be considered in addition to radio and tv during open enrollment.

2. **Code of Conduct**

Recommended Changes:

**Require the utility affiliate to clearly delineate the separation between the affiliate and the parent company.**

Currently many customers are confused by the different Black Hills entities. These customers do not know that Black Hills Energy Services (“BHES”) is not the same company as Black Hills Gas Distribution, LLC. This confusion is exacerbated by the fact that BHES uses the marketing logos associated its parent company.

The “playing field” should be fair. The current close connection between BHES and its parent company gives it an unfair advantage.

**Require transparency**

In the past, it has been standard practice to send out delegation forms that do not identify any price.

The program should require that all marketing communication that is asking for a purchasing decision should include a price.

The code of conduct should be focused on ensuring that customers make their decisions with a complete set of information

3. **Annual Reports**

No recommended changes

4. **Marketing Period**

- a. The current marketing period is unnecessarily restrictive.
- b. Customers should be able to pick supplier at any time during the year. The current selection period limitations were set 20 years ago. The current program seems to have been setup to match the technical capabilities of that time. The current choice program should reflect the capabilities and the expectations of the 21<sup>st</sup> century.

Limited/no change in marketing restrictions. Once a customer makes their selection, there should be no contact until the term of the exiting deal is in its final year.

5. **Delegation Agreements**

- a. Under the current rules, delegation agreements allow the customer to make selection at the time of their choosing. It gives them more options.
- b. Yes. Delegation agreements are appropriate for all classes of customers.

- c. Yes. Confirmation letters should be required. All confirmation letters should be sent out within 1 business day. As noted above, transparency is essential – signed delegation forms without an assigned price are ripe for abuse.

## 6. Customer Selection

- a. During the selection period customers are removed from the active list by the next business day. However, there is often a significant lag between the time that a customer submits a delegation form and the time that suppliers are notified that the customer should be removed from the active list.

It is unclear why the utility is not able to quickly / instantaneously notify suppliers that customers have made a selection – by any method. The utility has set up a good API by which selections are made during the selection period. That same end point could quite easily be modified to confirm whether customers are still available during the rest of the year.

The utility could also choose other technical solutions that would not require significant overhead.

- b. Because of the current procedural limitations, WoodRiver let's its customers know that that they may still receive solicitation, even after they have signed a delegation form. It is not ideal. As noted above, it should not be hard for the utility to fix the problem.

## 7. Other Information

### a. Expand the choice program to all Black Hills towns in Nebraska

Black Hills should expand choice to all of the company's Nebraska towns. Benefits:

- i. One consistent tariff. Lower overhead.
- ii. Fairness. Eastern Nebraska does not currently have access to the choice program.

### b. Default Customers

Under the current system, customers who do not make a selection are “defaulted” to their current supplier. The system is deeply flawed.

- i. It unduly favors incumbent suppliers. Suppliers should not be “gifted” customers.
- ii. Because “default” customers are not participating in the programs, there is limited price pressure. Annual Data filed with the PUC clearly shows that the default prices are almost always higher, and sometimes much higher, than the prices offered during the selection period.

The current process distorts the market. Suppliers are incented to give lower prices to new customers. The cost associated with acquiring new customers is typically recovered by raising the rates charged to the default customers.

**Proposed Solution:**

Choice administrator should hold an auction for the customers that remain unsigned after the selection period. There are a variety of ways it can be structured. WoodRiver suggests a process where the utility divides the default customer into 3 or 4 tranches. Those tranches would then be auctioned off on a sequential basis.

**c. Credit Requirements**

The credit requirements set by the distribution company for participation in the choice program are punitive and anti-competitive.

Based on the current formula used by the utility the NE Res/Com program requires ~\$16.5MM dollars of credit for 7 Bcf program. The requirement for the Irrigation program is even more overstated. Based on BHE's irrigation credit formula, the 7 Bcf irrigation program requires ~25.2MM of credit.

These numbers are not in line with the credit risk in the program.

- i. The utility has 100% control over the receivables associated with the program. If a supplier defaults, the utility can keep the revenue from its customers.
- ii. The supplier posts separate credit with the Interstate Pipelines. If the supplier defaults the utility has the right to take back the transport and use that transport to supply gas to the customer.
- iii. The credit calculation assumes a \$15/Dth cost of gas. The forward NYMEX curve does not get above \$3/Dth. The number does not reflect current realities and has not been adjusted since it was originally set 20 years ago.

It should be noted that in recent years, the utility has allowed the netting of the irrigation (summer) and res/com (winter) credit requirements. However, WoodRiver still argues that the credit requirements, especially for the irrigation program, do not reflect the actual credit risk. The company requests a formal review and formal justification of the credit requirements associated with the Nebraska choice program.

**d. Administer the Res/Com and Irrigation programs on a standalone basis.**

Although the program documents indicate that the 2 programs are separate programs, in reality, the utility administers them on a combined basis. While this combination is inconsequential in most cases, it can have a major impact on suppliers that have a relatively small Res/Com load as compared with their irrigation load.

On Tallgrass Interstate Pipeline ("TIGT"), imbalances in the choice program are managed by No Notice "NNS" transportation contract. The size of each supplier's NNS account is set by the size of its Res/Com load. If the NNS is not sized appropriately for the

supplier's Irrigation load, the supplier can be subject massive pipeline imbalance penalties. Irrigation loads are notoriously difficult to project.

It is this issue that has driven prices in the Res/Com program the last couple of years. A supplier with a large Irrigation load has aggressively lowered prices in the Res/Com program so that it could capture more NNS capacity to support its irrigation program. This aggressive pricing has benefited some customers in the short-term, but it has degraded the health of the overall program. A flat, fair playing field is the best way to ensure a healthy long-term choice program.

**Solution:**

Separate the two programs. Instead of assigning one virtual meter per location to each supplier, the utility should assign two virtual meters – one for Res/Com and one for irrigation. The Res/Com meter would be associated with NNS contract and the irrigation would be managed by standard TIGT pipeline imbalance.

**e. Energy Options program should allocate transport fairly.**

Under the current Energy Options program, Black Hills distribution assigns transport in an arbitrary basis. The utility should treat transport customers in the same manner that it treats its "sales" customers. Transport should be allocated on a pro-rata basis.