

**February 16, 2018**

Mr. Trevor Graff  
Montana Energy & Telecommunications Interim Committee  
P.O. Box 201706  
Helena, MT 59620-1706

*Via e-mail: Trevor.Graff@mt.gov*

Dear Mr. Graff,

Big Sky Gas, a member of the Crius Energy family of brands, is happy to provide the attached responses to questions posed by the Energy and Telecommunications Interim Committee (“ETIC”). Big Sky Gas is committed to working with ETIC’s members to complete their obligations under Montana House Joint Resolution No. 28.

Big Sky looks forward to the opportunity to discuss its answers and provide any additional detail to ETIC members and staff at the March 2018 meeting. If you need any additional information or there is anything that Big Sky Gas can provide, please let us know.

Sincerely,

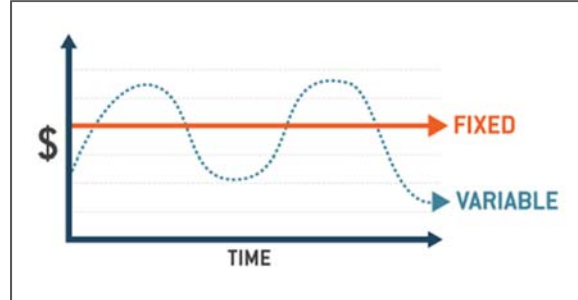
***Robert Cantrell***

Executive Vice President, Crius Energy

**1. Detail the potential value added for consumers who purchase fuel from Big Sky Gas.**

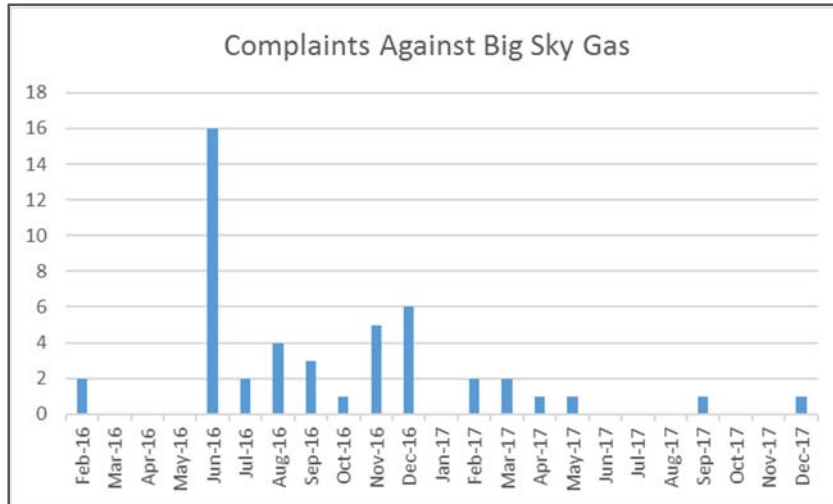
The range of potential value adds for customers and Montana in general is significant. For example:

- Freedom to manage their natural gas costs as they see fit. Customers who sign up on a Big Sky Gas fixed rate product, ranging from 6-36 months, have cost certainty versus the monthly variable rate charged by the local utility. In addition, customers who are willing to take on more cost risk can opt for a transparent variable product but still have the ability to convert to a fixed contract if they want to do so. The difference between a Big Sky Gas index rate and the utility's variable rate is that the BSG index rate is based on a published settled price, easily available for customers to track, and customers have the ability to convert from an index product to a fixed price product. By contrast, the utility variable rate is based on confusing tariffs and because there are no incentives for the utility to find the lowest rate, is not guaranteed to follow the national gas market.
- Local Contacts. Big Sky gas has local sales representatives who can personally meet with customers to explain the changing natural gas market as well as the benefits of switching to Big Sky Gas. Since our team lives and works in local communities, many customers are people whom they see regularly at social events or at the grocery store, meaning that there is a commitment to address their needs. In addition, Big Sky Gas partners with numerous civic and service organizations around the state to educate consumers on their choices.
- Continued ability to participate in conservation/demand response products. A customer's decision to switch to a natural gas supplier with a product that better meets the individual's risk tolerance does *not* impact the customer's ability to participate in any conservation and demand response programs offered by the local utility. Utilities do not offer conservation programs in their role as an *energy supplier* – they offer programs as the transportation and distribution provider in their markets. For example, other Crius brands have some of the highest rates of participation in conservation and demand response programs with the distribution utilities in other states around the country.



**2. Describe the nature of complaints Big Sky Gas has received regarding utilities in Montana.**

Over the past 2 years, according to data provided by the PSC Staff, Big Sky Gas has received a total of 47 complaints. Most complaints were related to marketing practices. The most complaints were received in June, 2016, when Big Sky Gas, as a newer company looking to accelerate its growth, engaged a company to assist with door-to-door marketing. Door-to-door marketing has positives and negatives, but can be successfully managed by companies with tight compliance policies and extensive training. Since Crius Energy bought Big Sky Gas, complaints have dropped drastically, with only 2 complaints since Crius started managing the marketing activities of Big Sky Gas in mid-2017.

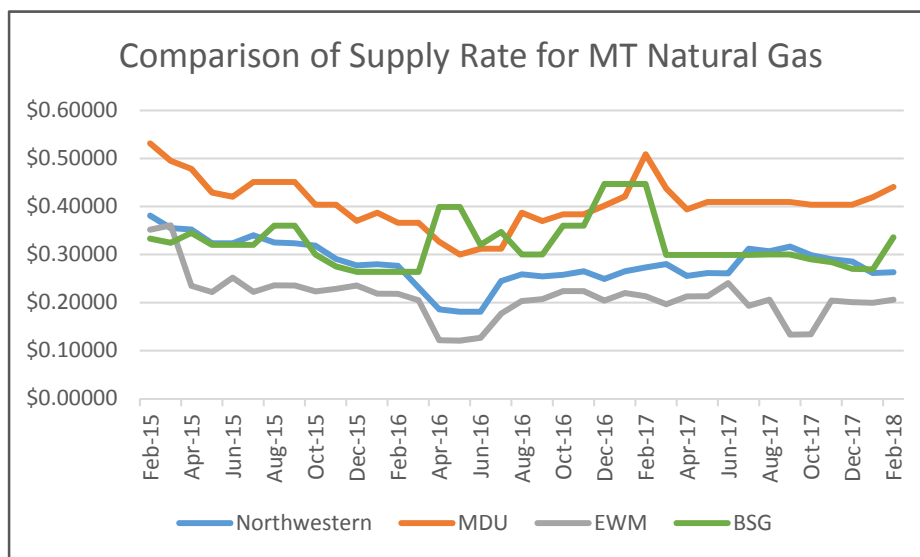


**3. Describe the current rate structures employed by Big Sky Gas under operational consumer choice programs.**

BSG currently offers fixed term prices to its customers with terms ranging from 6-36 months. In addition, Big Sky Gas offers a transparent index product that is based on publicly available information. These products allow customers to manage their natural gas costs as they see fit rather than being subject to the volatility inherent in the current utility default service rate.

**4. How do Big Sky Gas rates compare to other utilities and suppliers in the state?**

Generally, Big Sky Gas rates are quite competitive as illustrated in the following chart which looks back over the last 3 years.



This chart, using data published by the PSC, illustrates several important points:

1. Big Sky Gas switched to offering only a Fixed Rate product for residential customers in early 2017. The rates reflect the 12-month term and it is possible that lower prices were available for longer or shorter term contracts;

2. Big Sky Gas has been generally competitive with Northwestern Energy and is currently offering rates that are at least on par for the critical winter months. Most importantly, however, our customers are not subject to price increases during the term of their agreement, so they can budget accordingly; and
3. Big Sky Gas supply rates have generally been lower than those of MDU.

Overall, the above rate analysis really compares apples to oranges. At each point in the chart above, a BSG client could lock in that rate for up to 36-months, while a utility customer would ride that line up or down, depending on the time of year and how effective the utility was in their next purchase.

While cost savings is an important part of competitive markets, it is not nor should it be the only measuring stick of the benefits of retail competition. Moving commodities like natural gas from a monopolistic supplier model to competitive markets creates pressure on the former monopoly to become more efficient and customer focused. While it is impossible to definitively prove that the emergence of Big Sky Gas has not forced Northwestern Energy to lower its rates or become more diligent in its procurement activities, these are potential results from deregulation.

Just as importantly, the opening of markets provides people and businesses with choices and the ability to make their own decisions.

**5. *Does Big Sky Gas offer consistent rates across its service territories?***

Yes. Big Sky Gas is currently only operating in the NorthWestern Energy service territory and offers the same rates to the similar customer classes across all of NorthWestern Energy's Montana footprint.

**6. *Does Big Sky Gas offer service to customers in all of the communities served by NorthWestern Energy? If not, why?***

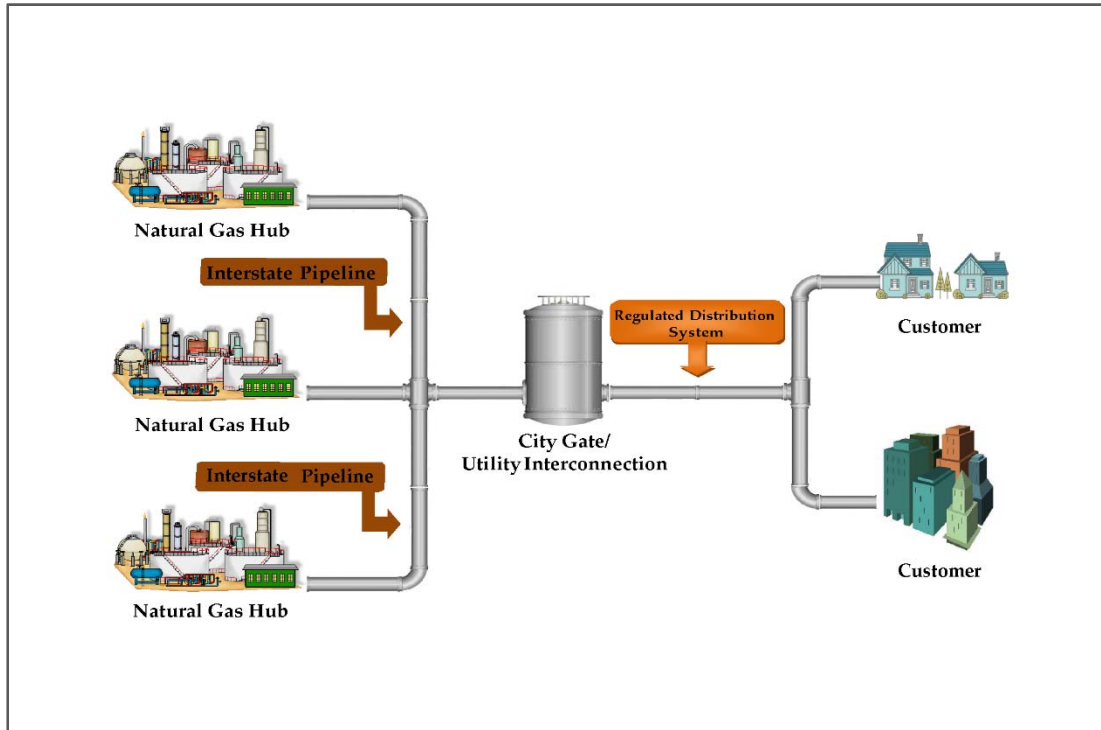
Yes, Big Sky Gas offers service to customers in all communities where Northwestern Energy currently provides natural gas service.

**7. *Describe the delivery of Big Sky's product on current transmission and distribution systems in Montana.***

The delivery of natural gas remains regulated and Big Sky Gas is not suggesting a change to that for any Montana utility. As discussed at the last ETIC meeting and in previously filed written comments, the delivery of natural gas in both NorthWestern Energy and MDU service territories follows a similar pattern, even though the two utilities have a different mix of assets.

Currently, Big Sky Gas purchases natural gas from various suppliers, using the national market presence of its parent company, Crius Energy, to negotiate for the best available wholesale rates. It then pays the cost for the natural gas to be transported on interstate pipelines to Northwestern's "city gate", where Northwestern picks up the natural gas and delivers it to customers over their distribution network. Just like a road system, there may be different routes to get the natural gas to a specific city gate. Two of the natural gas pipelines used by Big Sky Gas to service the Northwestern Energy footprint are the Grizzly Hub, at the border of Montana and Wyoming, and the AECO Hub, located just over the border in Canada. These hubs will have different prices as well as different costs to transport the gas to the city gate, so the Crius wholesale team constantly monitors these differences, adds the availability and cost of storage, and develops attractive pricing for potential customers.

The following graphic illustrates how natural gas bought by Big Sky Gas on behalf of its customers goes from the natural gas trading hub to the ultimate end user.



**8. How does Big Sky Gas contract to ensure natural gas is delivered to NWE's system and to ensure peak demand volumes are met?**

BSG is contractually obligated to deliver required amounts to Northwestern Energy under an agreement approved by the PSC. If Northwestern Energy has to deliver imbalances, those are financially settled between Northwestern Energy and Big Sky Gas.

**9. Does Big Sky Gas deny service to customers deemed not to be credit worthy?**

We have a credit scoring threshold. If a customer requests service from Big Sky Gas, and they fail to meet the threshold, then we request a “letter of credit” from Northwestern Energy confirming that the potential customer is current on their energy bills. We also allow them to post a guarantee if they wish to receive service from Big Sky Gas. If a customer cannot or does not provide Big Sky Gas with either of these options, then we are not able to provide them service and they remain with Northwestern Energy. Additionally, per current regulations, Big Sky Gas is unable to accept customers who are on low income assistance programs(LIEAP).

It should be noted that in other competitive markets, the utility may either function as a provider of last resort for customers who have poor credit or this obligation may be bid out to various competitive suppliers who then fill in for the utility, removing the need for the utility to provide back-up service. While Big Sky Gas would ultimately support a move to such a market

construct, the current natural gas market is too immature for that to be a reasonable approach. However, there are steps that the Legislature and PSC could take to begin moving in this direction and allow utilities, like Northwestern Energy and MDU to focus on what they do best—the reliable delivery of natural gas to end use customers.

**10. Given the differences between NWE and MDU natural gas systems, what measures will Big Sky Gas employ to ensure the delivery of adequate natural gas to Big Sky customers on MDU's system and ensure peak demand volumes are met?**

Big Sky Gas believes that the premise of this question is wrong. As indicated in earlier comments, from the end use customer's perspective, there is no difference between Northwestern Energy and MDU, as both are responsible for the safe and reliable delivery of natural gas through the local distribution network.

Based on the information provided by MDU, the biggest difference between the two companies involves their infrastructure and ownership of assets upstream from the local distribution network. Northwestern Energy owns various interstate natural gas pipelines whereas MDU does not. Since capacity on these pipelines is traded on various trading platforms, Big Sky Gas can buy the transport capacity that is needed to deliver the gas to the city gate, regardless of the owner of these pipelines. The fact that MDU does not own the transport pipelines actually proves that capacity on these pipelines are available for purchase by BSG.

Big Sky Gas would propose and be open to a contractual arrangement with MDU similar to that it has with Northwestern Energy providing that it will be responsible for meeting the anticipated peak demand of its customers and then will financially settle any imbalances at agreed upon intervals.

**11. Should Big Sky Gas be subject to the same standards set forth for natural gas utilities in the state? For example, should Big Sky Gas adhere to the termination requirements of ARM 38.5.1401-1408 or similar regulations? Describe the company's current customer termination policies and practices, particularly during the winter month when natural gas demand increases.**

Big Sky Gas is already subject to multiple regulatory requirements as set forth in 38.5.6001-.6010 related to Consumer Information and Protection as well as 38.5.7001-7021 related to Conduct, Licensing and the Universal System Benefit Fund.

Big Sky Gas does not have authority under Montana law to disconnect a customer, so imposing the requirements contained in 38.5.1401-1408 related to termination on Big Sky Gas does not make sense.

When a customer becomes delinquent, per statute, we send warning notices, regarding their delinquency and request that they bring their account current. If, after 60 days, they have failed to pay at least 60% of their account balance, we initiate the process to transfer them back to the utility and seek to collect the monies we are owed through other means after the account has dropped and assuming that their final bill is also in arrears.

**12. What policies do Big Sky Gas currently implement to promote efficiency and conservation among its customer base?**

Customers who are with Big Sky Gas can participate in any and all efficiency and conservation programs offered by the local utility. A switch to Big Sky Gas does not impede a customer's ability to participate in any program offered by the utility, such as Northwestern Energy's home energy audit or MDU's Preferred Service by HomeServe. As mentioned previously, other Crius brands have some of the highest participation in utility conservation programs through the local utilities. In addition, in other electric markets in the U.S., other Crius brands offer a range of energy programs from LED lighting to smart thermostats to air filters to demand response. While the range of potential conservation projects is more limited with natural gas (and because we do not have smart meters – a key component to many of these programs), we are constantly looking for ways to help our customers reduce their consumption, especially during peak times.

**13. Describe Big Sky Gas's current customer base in Montana. How many customers is the company serving? How many residential customers does the company serve? How many commercial customers does the company serve?**

While Big Sky Gas exact customer count is confidential and proprietary information, we supply well over 1,000 customers in Northwestern Energy's service territory. From a load perspective, 70% of our natural gas deliveries are to commercial customers, representing around 35% of the active meters.

**14. Where does Big Sky Gas currently purchase its natural gas? Where has it purchased natural gas from in the past?**

Big Sky Gas's purchase agreements and related counterparties are confidential. However, we do purchase from a variety of sources at various natural gas trading hubs. As discussed in question 7 above, the natural gas purchased by Big Sky Gas to meet the needs of its clients is bought at a variety of hubs and from different suppliers through competitive pricing. Unlike either Northwestern Energy or MDU, Big Sky Gas has a powerful economic incentive to acquire natural gas at the best prices possible in order to remain competitive in the market.