

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO**

**IN THE MATTER OF THE TARIFF SHEETS)
FILED BY COLORADO NATURAL GAS, INC.)
WITH ADVICE LETTER 89)**

Proceeding No. 18AL-___G

DIRECT TESTIMONY OF

PHIL MARCUM

MANAGER OF BUSINESS DEVELOPMENT

May 11, 2018

**SUBMITTED ON BEHALF OF
COLORADO NATURAL GAS, INC.**

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1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Phil Marcum. My business address is 1201 Deadra Drive, Lebanon,
4 Missouri 65536.

5 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?

6 A. I am employed by Summit Utilities, Inc. ("Summit"), the parent company of
7 Colorado Natural Gas, Inc. ("CNG"). I am the Manager of Business Development
8 for two Summit subsidiaries, CNG and Summit Natural Gas of Missouri, Inc.
9 ("SNGMO").

10 Q. WHAT ARE YOUR DUTIES AS MANAGER OF BUSINESS DEVELOPMENT?

11 A. I oversee customer acquisition and retention efforts and evaluate opportunities for
12 growing CNG's and SNGMO's distribution systems. I also serve as CNG's and
13 SNGMO's primary account management point of contact for large commercial and
14 industrial customers, and for governmental officials in their service areas. I am also
15 a member of Summit's Executive Team and its Diversity and Engagement
16 Committee.

17 Q. WHAT IS YOUR PROFESSIONAL AND EDUCATIONAL EXPERIENCE?

18 A. I attended Lindenwood College from 1995-1996, and Southwest Missouri State
19 University from 1996-1998. From 2002-2010, I was employed as the Finance
20 Manager at the Neil Twenter GM Center. I joined Summit in 2010.

21 Q. HAVE YOU TESTIFIED BEFORE ANY REGULATORY BODIES?

22 A. No.

23

1 **II. PURPOSE OF TESTIMONY**

2 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

3 A. The purpose of my testimony is to provide an overview of CNG's growth plans and
4 to describe the market challenges CNG faces and will continue to face in the future.

5 **III. CNG'S GROWTH AND CHALLENGES**

6 **Q. PLEASE DESCRIBE CNG'S GROWTH STRATEGY IN THE EASTERN**
7 **COLORADO DIVISION.**

8 A. Since its founding, CNG has always sought opportunities to grow its business, both
9 in its existing territories and by building systems in new areas. At present, in the
10 Eastern Colorado Division we are seeing significant residential development, and
11 some industrial and commercial development. We are working with several
12 residential developers to ensure that homes being constructed there will use
13 natural gas as their primary heating fuel source. In addition, CNG will be supplying
14 natural gas to a new rail terminal near the Front Range Airport, west of Watkins.
15 We anticipate annual growth in the Eastern Colorado Division will be three percent
16 in the coming years.

17 **Q. PLEASE DESCRIBE CNG'S GROWTH STRATEGY IN THE MOUNTAIN**
18 **DIVISION.**

19 We anticipate modest growth of about one percent in the Mountain Division. Most
20 of this growth will come from new developments. This is because propane and
21 other alternative fuel sources are competitively priced compared to natural gas.
22 Additionally, CNG faces challenges in attracting prospective customers who would
23 need to convert their heating systems to natural gas from alternative fuels.

1 **Q. WHAT RISKS AND CHALLENGES DOES CNG FACE IN EXECUTING ITS**
2 **BUSINESS STRATEGY?**

3 A. As Dylan D'Ascendis describes in his testimony, CNG is much smaller than most
4 of the other investor-owned gas utilities in Colorado and serves less densely
5 populated areas. CNG also provides service in areas where revenues are
6 particularly vulnerable to temperature swings. In the past, CNG was able to secure
7 new customers through fuel conversion. However, as discussed above, in the
8 current environment, it is difficult to switch customers to natural gas due to the
9 price competitiveness of alternative fuels. Even though natural gas is typically the
10 least-cost heating fuel in CNG's territories, the cash outlay needed to convert
11 appliances to natural gas, or to purchase new natural gas appliances, keeps many
12 prospective customers from switching fuels. This is especially true when, as now,
13 fuel prices are relatively low because the overall financial benefit a customer will
14 achieve by switching to a more cost-effective fuel source is muted during such
15 periods.

16 **Q. ARE THERE OTHER BUSINESS RISKS ON THE HORIZON?**

17 A. Yes. Colorado policymakers are increasingly discussing "electrification" as an
18 attractive way to reduce carbon emissions, despite the lack of credible evidence
19 supporting this conclusion. In this context, electrification means policies intended
20 to reduce carbon discharge at the point energy is used and shifting the carbon
21 discharge away to electrical generation facilities. Electrification polices often use
22 subsidies to encourage consumers to purchase and use electric-powered heating
23 appliances, such as air and geothermal heat pumps. In Colorado, it is likely that

1 increased subsidies will be disbursed and administered through electric utility
2 demand side management programs. If the movement towards aggressive
3 electrification takes hold in CNG's service territories, it will limit CNG's ability to
4 convert customers to natural gas as their primary heat source and its ability to
5 persuade developers to use natural gas appliances in new construction. The
6 competitive threat to CNG presented by aggressively subsidized electrification is
7 not merely hypothetical. For instance, just last year, the City of Denver updated
8 its Climate Action Plan to call for the conversion of 50 percent of all commercial
9 buildings and 50 percent of all residential buildings from natural gas heating to
10 electric heating by the year 2050, as well as incentives for fuel switching away from
11 natural gas.

12 **Q. IS ELECTRIFICATION AFFECTING SUMMIT'S OTHER UTILITIES?**

13 A. Yes. Nearly every day, sales personnel at Summit's subsidiaries in Arkansas,
14 Missouri, Maine, and Oklahoma see prospective gas customers who are choosing
15 to purchase heat pumps as their primary home heating source instead of natural
16 gas-fueled appliances. Even in Maine, which has prolonged winter temperatures
17 at least as cold as Colorado, an ever-increasing number of homeowners and
18 businesses are taking advantage of generous rebates, subsidized through electric
19 utility rates, to purchase air source heat pumps even though such pumps are
20 substantially less efficient in the winter months. In these jurisdictions, the
21 momentum created by the aggressive marketing by installers, and the free word-
22 of-mouth advertising among targeted customers, has already impacted Summit's
23 efforts at load growth. Based on my experience in sales and marketing, once a

1 critical mass of consumers adopts a technology, the number of other consumers
2 adopting the technology will only continue to grow, regardless of whether the
3 societal cost and environmental benefits are economically justified. In my view,
4 Colorado's increasing interest in electrification presents a threat to CNG's
5 business.

6 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

7 A. Yes.

AFFIDAVIT

STATE OF MISSOURI

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) 18AL _____ G, IN THE MATTER OF THE TARIFF

) SHEETS FILED BY COLORADO NATURAL GAS,

) INC. WITH ADVICE LETTER 89

LACLEDE COUNTY

)

I, Phil Marcum, having been duly sworn upon my oath, state that I am the person identified in the foregoing prepared testimony and/or exhibits; that such testimony and/or exhibits were prepared by or under my direction; that the answers and/or information appearing therein are true to the best of my knowledge and belief; and that if asked the questions appearing therein, my answers thereto would, under oath, be the same.



Phil Marcum

Subscribed and sworn before me to this 11 day of May, 2018



Notary Public

My Commission expires: March 5, 2021

