

COMMONWEALTH OF PENNSYLVANIA  
PUBLIC UTILITY COMMISSION  
P.O. BOX 3265, HARRISBURG, PA 17105-3265

COMMENTS OF  
NRG Energy Center Pittsburgh LLC and NRG Energy Center Harrisburg LLC  
&  
NOTICE of Participation

Docket No. I-0004010F0002

Please include the following person in the list of participants in the March 30, 2006 Stakeholder meeting and to the Customer Stakeholder group.

Tim Merrill  
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Were the Commission to accede to the request made in the comments below, Mr. Merrill would like to participate in a 4<sup>th</sup> subgroup. In the event there are but three subgroups, he would like to participate in the Inter-Company Activity Subgroup.

In its "Report to the General Assembly on Competition in Pennsylvania's Retail Natural Gas Supply Market," the Commission did a masterful job in capturing the state of competition in the natural gas industry in Pennsylvania. The Commission's analysis showing the declining number of marketers and buyers, the barriers to marketer entry and participation and the barriers to customer participation is comprehensive and accurate. Its creation of three subgroups to examine the issues (i) involved in marketer and utility interactions, (ii) increased customer participation, and (iii) the costs of service is therefore quite appropriate.

However, it appears that at least two if not all three of the "other miscellaneous issues" plus one more issue are the central or core issues that must be resolved before competition will be able to grow and develop in the Commonwealth. It has been argued that the "successful" competition models, natural gas in Georgia and electricity in Texas, have one thing in common: the incumbent utility is out of the merchant function. At this point in Pennsylvania, the incumbent utilities will likely remain in the merchant function until there is a workable SOLR model. It is not logical for the NGDCs to promote competition if they believe it won't, in the end, work. And it will be hard for the

“sustained Commission leadership in competitive markets to occur” unless or until 400 or so staff at the Commission are convinced that markets will take care of customers better than will regulation. In short, central to the future of competition is finding a replacement for the utility’s Obligation to Serve. If that obligation is to be assumed by an unregulated entity, there must be assurance in the opinion of the Commission that safe and reliable natural gas service will be continued.

Thus, it seems that there should be a “policy” subgroup that would just focus on coming up with a SOLR model that is believed by all the stakeholders to be fair and workable. In doing so, the POLR models in Georgia and Texas should be studied and analyzed, as should be the NY PSC M-0504 Docket, and the very current and ongoing efforts of East Ohio Gas to exit the merchant function. If the stakeholders can agree on a workable model, then the other miscellaneous issues can be addressed by the policy subgroup.

It is arguable that the SOLR issue is the keystone to gas competition in Pennsylvania (other than those issues outside the control of Pennsylvania such as the development of a pipeline capacity market). Absent resolution of this matter, the rest may be academic.