

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

Re: Pennsylvania Public Utility
Commission, et al., v. Peoples
Natural Gas Company, LLC

Public Meeting: June 9, 2011
2201702-ALJ
R-2010-2201702

STATEMENT OF COMMISSIONER CAWLEY

Before the Commission is the Peoples Natural Gas Company LLC (Peoples) filed Retail Tariff Gas – PA PUC No. 44 & Supplier Tariff Gas – PA PUC No. S-2 filed on October 28, 2010, as amended by the Joint Petition for Settlement filed on April 11, 2011, and the Recommended Decision of Administrative Law Judges John H. Corbett, Jr., and Mary D. Long.

In general, I support the overall Settlement as a step in the right direction. The Settlement removes some barriers to competitive markets, especially by implementing a Purchase of Receivables Program and direct access to some on-system storage. Natural Gas Suppliers EQT Energy, LLC, Direct Energy Services, LLC, Dominion Retail Inc., and Interstate Gas Supply, LLC, are to be commended for their participation in this case and for shedding light on many of the shortcomings of current tariffs and unfinished competitive market regulations. In fact, the record in this case emphasizes the importance of the need for continued incremental improvement if competitive natural gas market barriers are to be more completely removed.

In the case of pooling fees charged by Peoples for pool transfers, the Settlement does not address the overpayment of pool transfer fees by Natural Gas Suppliers (NGSs). Even if Peoples's projected costs for pooling service are correct, pooling fee revenues were \$2.28 million, while Peoples's estimate of projected costs was \$1.17 million. Thus, NGS services are clearly not cost based. Moreover, this was confirmed by Peoples's Rebuttal Testimony: "The ability to aggregate supplies at the pool level provides an administrative and cost savings benefit to the supplier. Accordingly the assessment of the \$0.08/Mcf pooling fee to Local Gas Aggregation (LGA) pools should continue."¹ This implies that NGS fees should be market based, not cost based. Using market-based charges provides a clear advantage/subsidy to sales customers, and enables utilities to arbitrage any potential profits from competitive businesses. It is also not clear why LGA pool transfer fees for off-system supply delivery were eliminated, while other pool transfer fees remained. This appears to be an unjustified example of rate discrimination.

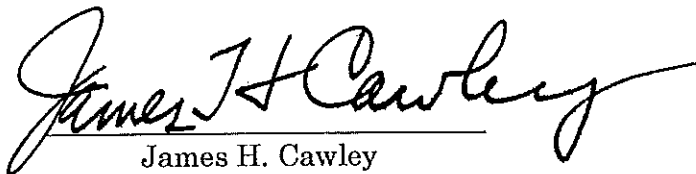
Similarly, it is not clear that NGSs receive adequate natural gas storage access when they enroll new customers. NGSs argued that sales customers were able to utilize seasonal storage to reduce the cost of winter supplies, using capacity paid for by NGS service fees under the Banking, Balancing and Advancing Service (BBA Service). As part of the settlement, NGSs using NP-1 pooling service were allocated up to 1.55 Bcf of on-system storage capacity. However, NP-1 service is

¹ Peoples Rebuttal Testimony 16-R, p. 33.

supported by approximately 3.8 Bcf of storage, of which 80-90% is used for seasonal arbitrage. While the settlement is a step in the right direction, it is likely that more needs to be done to reach more equitable levels of storage access, so that storage services truly are portable with the customer.

Lastly, it also appears inequitable to continue to charge \$0.15 cents per bill to NGSs for use of utility consolidated billing for "rate maintenance and billing support,"² when there is no such "rate maintenance and billing support" fee for utility sales service. In general, this Commission has not unbundled billing system and support costs, recognizing that consolidated billing support is provided for both sales customers and NGS customers. Unless natural gas utilities want to fully unbundle billing services, I suggest that these types of NGS charges be removed henceforth if NGS rate discrimination is to be successfully resolved.

June 9, 2011



James H. Cawley
Commissioner

² Peoples Statement 16-R, p. 39.