

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

**Re: Natural Gas Distribution
Companies and the Promotion
of Competitive Retail Markets**

**Public Meeting: March 26, 2009
2069114-LAW
Docket No. L-2008-2069114**

STATEMENT OF CHAIRMAN CAWLEY

The *Natural Gas Choice and Competition Act*, 66 Pa. C.S. §2201-12 (Competition Act), was enacted by the Legislature in 1999 with the purpose of restructuring the natural gas industry to allow the retail sale of natural gas in an open market. Based upon our experience to date, this Commission is initiating a rulemaking proceeding to adopt regulations governing the relationships between Natural Gas Distribution Companies (NGDCs) and the Natural Gas Suppliers (NGSs) which sell, or seek to sell, natural gas to end users on the NGDCs' distribution systems. This rulemaking is being initiated to comply with the Legislature's directive to ensure that consumers of natural gas will be able to shop for gas that is marketed on a level playing field for all market participants.

As part of this rulemaking, we are advancing some relatively broad provisions with regard to capacity release. Being very broad, these regulations may not be sufficiently specific to address every alleged inequity in the allocation of upstream transportation and storage capacity and the costs of this capacity assigned to NGSs that assume the firm service obligations of their retail customers. For this reason, I strongly encourage NGSs that regard existing release capacity provisions in NGDC tariffs as a barrier to retail natural gas competition (1) to provide specific examples of these barriers in the Pennsylvania retail market, and (2) to suggest alternative regulatory language (to that set forth in Annex A to the Commission's Order) that would resolve these barriers within the bounds of existing legislation, and that would reasonably accommodate the operational constraints of NGDCs.

March 26, 2009

James H. Cawley
Chairman