

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**  
**Harrisburg, Pennsylvania 17105-3265**

**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 VICE CHAIRMAN TYRONE J. CHRISTY**

Before the Commission for consideration is the initiation of a proposed rulemaking proceeding to promulgate regulations that are designed to encourage increased natural gas supply competition among our jurisdictional Natural Gas Distribution Companies (NGDCs) and licensed Natural Gas Suppliers (NGSs). The genesis of this rulemaking is the Commission's *Report to the General Assembly on Pennsylvania's Retail Natural Gas Supply Market* that was released in October 2005. In that report, the Commission determined that effective competition did not exist in Pennsylvania's retail natural gas market, and reconvened the stakeholders in the natural gas industry to identify existing barriers to competition. In our SEARCH Final Order and Action Plan issued on September 11, 2008, the Commission identified several initiatives to eliminate these barriers to competition. The rulemaking before us today, which addresses five specific issues regarding the NGDCs, is the first of these pre-identified initiatives.

I have some specific concerns with certain aspects of this proposed rulemaking that I request parties to consider addressing in their comments, which are due within 45 days of publication in the *Pennsylvania Bulletin*. First, with regard to the Price to Compare, the proposed rulemaking intends to remove natural gas procurement related costs from NGDC base rates and include them within the Price to Compare. The amount of these embedded gas procurement costs would be determined in individual NGDC proceedings held in conjunction with the first purchased gas cost proceeding after the regulations become final. At this time, the Commission is not attempting to identify every individual gas cost that should be removed from base rates. These costs likely will vary from NGDC to NGDC and it may be difficult to reach consensus on this issue. Also, if these costs are not avoidable and are included within the Price to Compare, then they may not be recovered by the NGDCs, potentially resulting in stranded costs. Under this scenario, consumers of the NGDCs who choose not to shop will be paying higher costs to support those customers who do choose to shop.

Furthermore, once the amount of these costs are identified and included within the Price to Compare, the proposed regulations require NGDCs to adjust their Price to Compare on a monthly basis, instead of quarterly. The alleged purpose of the monthly adjustment requirement is that the present approach does not reflect actual market prices and does not allow for meaningful price comparisons between offers from NGSs and the NGDC Price to Compare.

I am inclined to disagree with the proposed requirement to implement monthly NGDC pricing as I question whether it is sound public policy to make SOLR service volatile or “ugly” simply to encourage fixed price offers from competitive natural gas suppliers. I believe that the existing quarterly adjustment process represents a fair compromise between annual and monthly adjustments and should be retained. This allows natural gas consumers to have some period of stability in their gas costs.

However, I have an overriding concern regarding the entire Price to Compare concept, whether it will be adjusted quarterly or monthly. Today, when natural gas customers decide to switch to an alternative supplier, many of these customers have no idea if the offered price will continue to be more attractive than the NGDC’s Price to Compare. Simply providing the currently effective Price to Compare does not allow consumers to make informed decisions when considering offers from competitive suppliers. More information is necessary, especially if natural gas customers are exposed to NGS proposals which require a long term commitment. Consumers need to be provided projected natural gas price forecasts to make informed, educated choices. I request that commenters address whether the Commission should develop a monthly projection of natural gas prices for the ensuing twelve months based upon the best available market information. This information could be posted on our website and the Commission could require each NGDC to provide this information to its customers on a regular basis. Without this type of information being readily available, consumers will be unaware if the choice they are making today will continue to be the right choice two, four or six months down the road.

Natural gas consumers need to be informed as much as possible in order to make reasoned decisions if the competitive gas market is to succeed. In my opinion, the development of gas price forecasts will help reduce the number of cases where marketers take advantage of uninformed consumers with price offers that in reality cost consumers more than if they simply not had shopped. These gas price forecasts are readily available and should be made available to all natural gas customers.

Another area of concern is the currently effective migration riders, which are not made easily available to consumers. Again, without the knowledge of what it will cost a customer to switch to an alternative supplier, that customer is literally gambling as to what decision to make.

Therefore, I request that commenters address my proposal, or offer other proposals that would better educate and inform Pennsylvania consumers. Because of my disagreement with the proposed monthly adjustments, I will concur in the result only of this proceeding for the purpose of seeking comments from interested parties.

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**DATE**

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**TYRONE J. CHRISTY, VICE CHAIRMAN**