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September 9, 2010

**By Overnight Delivery**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
2nd Floor, Room-N201  
Harrisburg, PA 17120

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SEP 9 2010

**PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU**

Re: Docket No. L-2008-2069114  
Rulemaking re Natural Gas Distribution Companies and Promotion of  
Competitive Retail Markets

Dear Secretary Chiavetta:

Please accept the enclosed original and fifteen copies of the Comments of the Peoples Natural Gas Company LLC in the above-referenced proceeding. In accordance with the Commission order entered in this matter on August 10, 2010, I have also served a copy of these comments on David E. Screven and Richard Wallace.

If you have any questions or concerns regarding this matter, please do not hesitate to contact me.

Very truly yours,

Counsel for Peoples Natural  
Gas Company LLC

cc: David E. Screven, Esq.  
Richard Wallace

**COMMONWEALTH OF PENNSYLVANIA  
BEFORE  
THE PUBLIC UTILITY COMMISSION**

Natural Gas Distribution Companies and Promotion of Competitive Retail Markets	) ) ) )	Docket No. L-2008-2069114
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**COMMENTS OF PEOPLES NATURAL GAS COMPANY LLC**

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**I. INTRODUCTION**

By order entered August 10, 2010, the Commission issued its Advance Notice of Final Rulemaking Order (“ANOFR”) in this docket. The ANOFR responded to comments filed on the Proposed Rulemaking Order (“Proposed Rule”) entered on March 27, 2009, wherein the Commission proposed regulations to generally govern relationships between Natural Gas Distribution Companies (“NGDCs”) and Natural Gas Suppliers (“NGSs”) and more specifically, to address: (1) reformulation of the Price to Compare (“PTC”); (2) NGDC voluntary implementation of Purchase of Receivables (“POR”) programs; (3) mandatory capacity assignment; (4) NGDC recovery of costs of competition-related activities; and (5) regulatory assessments.

Peoples Natural Gas Company LLC (“Peoples”) hereby submits comments explaining why the Commission should revise the PTC provisions of the proposed regulations in the ANOFR, endorsing most of the changes that the Commission has proposed related to POR programs, and suggesting deletion of the proposed capacity

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assignment regulation. Peoples is also a member of the Energy Association of Pennsylvania (“EAP”) and endorses EAP’s comments filed in this proceeding. Peoples respectfully requests that the Commission duly consider both Peoples’ and EAP’s comments and amend the proposed regulations accordingly.

## II. COMMENTS

### A. Section 62.223. PTC.

1. Inclusion of Reconciliation for Over and Under Collection in PTC. In the ANOFR the Commission emphasized the importance the PTC has in the customer choice process, stating that it lies at the heart of the retail choice and should be easily understandable and usable to compare the price offered by an NGS to the NGDC’s default service rate. Without explanation, however, the Commission included in the PTC a provision that is sure to confuse customers and to defy easy comparison of prices by requiring that the PTC include the NGDC’s 1307(f) gas cost rate “including the reconciliation for over and under collections.”

Peoples does not presently include in its PTC the reconciliation for over and under collections, which in Peoples’ tariff is referred to as the Gas Cost Adjustment Charge (“GCAC”), consistent with the current rule at 52 Pa. Code § 62.80, “Common natural gas competition terms”. For reasons of fairness, under Peoples’ approved terms of service found at Sixth Revised Page 66 of Peoples’ tariff, the GCAC initially stays with a customer who migrates from SOLR service to NGS service and initially stays away from a customer who migrates from NGS service to SOLR service. For example, when a customer is receiving SOLR service from Peoples and is shopping for an NGS, the customer would

be charged the GCAC for 12 months after switching to the alternative supplier. In this situation the customer would be charged the GCAC as a sales customer of Peoples and upon switching to an NGS.

Another example is when a customer is considering a return to Peoples' sales service after receiving service from an NGS for more than 12 months. Once the initial 12 months of service from the NGS have passed, the customer would no longer be charged the GCAC while the customer is receiving service from the NGS nor for the ensuing 12 months should the customer decide to return to Peoples' SOLR service.

Assuming that Peoples had under-recovered its gas costs from the previous period so that the GCAC would be an additional charge, its inclusion in the PTC under both of these examples would overstate the Peoples' SOLR price relative to the NGS price. In the first example, the customer would still incur the GCAC when the customer switches to the NGS, so the customer will be misled unless the NGS price also includes the GCAC. Moreover, if the NGS price also includes the GCAC, the customer will be confused, since the GCAC is a Peoples' charge and not an NGS charge. In the second example, the customer would not be subject to the GCAC if the customer switches to SOLR from NGS service, so to include it in the PTC would overstate the cost of Peoples' SOLR service. Therefore, in both examples, it is less confusing and a more accurate price signal if the PTC does not include the GCAC.

2. Adjustment of Delivery Rates. The ANOFR also requires NGDCs to file within 60 days of the effective date of the new rule tariff revisions that will identify and remove from delivery rates certain of the NGDCs' natural gas procurement costs and to include and recover those costs as part of its PTC. The Commission stated that this cost

shift will be revenue neutral and can be updated in subsequent tariff filings or in the context of the NGDC's next base rate case and fully allocated cost of service study. (ANOFR, pg. 16).

This requirement appears to assume that any costs remaining in the NGDC's delivery rate are incurred to serve both SOLR and transportation customers; however, just as certain costs can be unbundled and assigned directly to SOLR customers as gas procurement costs, others can be unbundled and assigned directly to the transportation function. One example is costs related to the transportation management information system. It is neither reasoned nor balanced ratemaking to require that gas procurement costs be unbundled and shifted to the PTC within 60 days while leaving the transportation related costs in delivery charges assessed to both SOLR sales customers and to transportation customers. If the Commission is determined to unbundle delivery rates, it should do so only after reviewing a fully allocated cost of service study in a base rate case. A still better solution would be to eliminate the Gas Procurement Charge from the PTC, as suggested in EAP's comments.

**B. Section 62.224. POR programs.**

Peoples endorses the changes in the ANOFR from the Proposed Rule related to POR programs. Peoples can confirm from its experience in developing a new billing system that, as posited by the Commission at page 24 of the ANOFR, consolidated billing by the NGDC will significantly ease the NGDC's costs and operations related to a POR program, so Peoples endorses the proposed change to require NGSs participating in POR programs to use consolidated billing from the NGDC. The same can be said for requiring an NGS to include all of its accounts receivable related to commodity sales in the POR program. In

sum, the changes to this section should well serve the Commission's goal of having NGDCs file voluntary POR programs.

Nevertheless, Peoples shares the concern expressed in EAP's comments that the exceptions to the consolidated billing requirement set forth in proposed §62.224(a)(2)(i) and (ii) have the potential to eviscerate the general rule that the NGS must use the NGDC's consolidated billing to qualify for a POR program. One can easily envision abusive fact patterns that would satisfy the letter, but not the spirit, of the two generally-worded proposed exceptions paragraphs. Moreover, because this issue involves an exception to a general rule, Peoples submits that the waiver procedure that the Commission dismissed in summary fashion in the ANOFR would be the more reasonable method for addressing this issue if it ever, in fact, comes up in the future. Finally, Peoples notes that inclusion of the word "basic" in these paragraphs creates two new terms, "basic supply service" (§ 62.224(a)(2)(i)) and "basic natural gas supply service" (§ 62.224(a)(2)(ii)), without corresponding definitions. Peoples, therefore, agrees that EAP's suggestion to delete these paragraphs is reasonable.

**C. Section 62.225 – Release, assignment or transfer of capacity.**

The ANOFR notes that both the IRRC and UGI questioned the need for this section in their comments to the Proposed Rule. The ANOFR goes on to declare on page 32 that this section has been formalized "in harmony with the existing law in order to give both NGDCs and NGSs some guidance and to ensure that requirements [*sic*] that the release, assignment or transfer of capacity by an NGDC for any new or renewed capacity contract for firm storage or transportation capacity shall be on a nondiscriminatory basis and shall be at the applicable contract rate for such capacity." Peoples suggests that the ANOFR revision

to § 62.225 fails in this goal and should still be deleted, as suggested previously by other commenters.

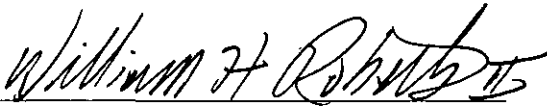
Newly proposed Section 62.225(a) fails to provide adequate guidance in that it appears to place on NGDCs the *obligation* to release (“~~may~~ SHALL release”) *new or renewed contracts*. The originally Proposed Rule did not require capacity release nor address new or renewed contracts, and the Natural Gas Choice and Competition Act does not require an NGDC to release capacity, regardless of whether it is new or renewed contracts. The proposed revision to § 62.225 is, therefore, confusing and deserving of further explanation if this provision is to remain in the final rule. Importantly, however, the Commission has noted previously that “the ultimate solution” for addressing the capacity assignment issue is legislative – to amend § 2204 (See page 7 of the Proposed Rule and page 19 of the Action Plan). Nothing is gained and only confusion results from attempting to restate the statute in the ANOFR.

WHEREFORE, Peoples respectfully requests that the Commission accept these Comments and give them due consideration in developing final rules and regulation in the proceeding.

Respectfully submitted,

PEOPLES NATURAL GAS COMPANY LLC

By Counsel

  
William H. Roberts II

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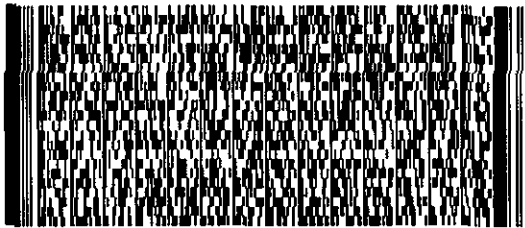
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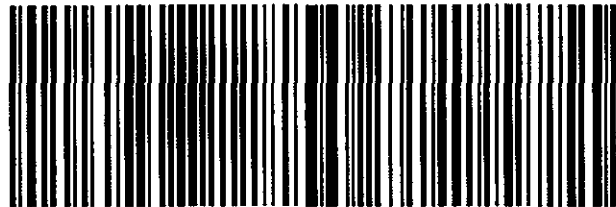
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