

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

**Re: Joint Application of T.W. Phillips Gas and Oil Company for approval of a change of control of T.W. Phillips Gas and Oil Company from TWP INC. to LDC Holdings II LLC, and indirect subsidiary of SteelRiver Infrastructure Fund North America LP.**

**Public Meeting: May 19, 2011  
2210326-ALJ  
A-2010-2210326**

**STATEMENT OF COMMISSIONER CAWLEY**

Before this Commission is (1) the Joint Application of T.W. Phillips Gas and Oil Company (T.W. Phillips), TWP Holdings II LLC for approval of a change of control of T.W. Phillips from TWP INC. to LDC Holdings II LLC, an indirect subsidiary of SteelRiver Infrastructure Fund North America LP (SteelRiver), (2) the Settlement Petition (Settlement) filed April 15, 2011 in this docket, and (3) the initial decision of ALJ David Salapa, recommending approval without modification of the application, as modified by the Settlement.

As part of the Settlement, the parties agreed to convene a collaborative conference with interested parties, including OCA, OTS, OSBA and interested natural gas suppliers (NGSs) and customers, within 12 months of closing. The purpose of the collaborative was to develop a strategy to promote NGS competition. T.W. Phillips further agreed to review the policies of Peoples Natural Gas Company LLC (Peoples)\* with regard to "Customer Choice" to develop procedures to assist in the creation of a small customer transportation "Choice" program on T.W. Phillip's system. T.W. Phillips committed to develop rules and practices that are, to the extent permissible by operation of its system, consistent with those of Peoples to encourage participation in the "Choice" programs by marketers on both systems.

I encourage interested parties to embrace this opportunity enthusiastically. A brief review of T.W. Phillips' existing tariff and operating practices reveals some issues that should be addressed to promote retail choice in this service territory. Specifically, the parties should address the following issues/potential barriers:

1. T.W. Phillips' imbalance penalties – Will they exceed the cost of replacement gas, even during periods of non-emergency?
2. Daily balancing provisions for larger customers – Will they exceed the reasonable ability of NGSs to reasonably predict this load within the 4% daily tolerance?
3. Imbalance of trading provisions – Will the lack of such provisions help mitigate imbalance charges where no net impact to non-choice customers exists? Will security requirements exceed monthly exposure for weather

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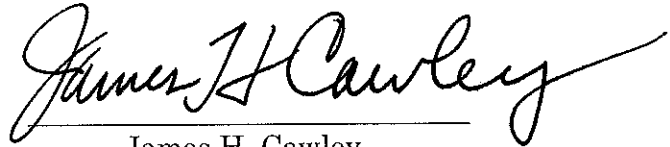
\* Since February 1, 2011, SteelRiver has been the ultimate owner of Peoples Natural Gas Company LLC.

sensitive customers, since security amounts are based on the Maximum Daily Required Delivery Volume times 30, as opposed to reasonable monthly usage amounts for a cold month?

4. Should T.W. Phillips be permitted to recover all of its billing costs in distribution charges imposed on choice and non-choice customers, including the billing charges imposed on NGSs for billing services?
5. Should T.W. Phillips' charges for internally generated reports on storage and transportation balances, which are available to T.W. Phillips, without cost assignment for use by their supply service, be allowed?
6. When T.W. Phillips implements its "Purchase of Receivables" program, it can unilaterally terminate the program at any time. Does such unilateral decision making discourage market entry?
7. T.W. Phillips has not developed an electronic bulletin board for the exchange of important operational information with NGSs. Might such lack of standardized transactions and data exchange make market entry difficult for any NGS that seeks to develop any scale in T.W. Phillips' service territory?

Given the depth of these issues, the parties, and especially T.W. Phillips, should work diligently to remove all these potential barriers to customer choice, and to leverage Peoples' existing systems effectively.

May 19, 2011



James H. Cawley  
Commissioner