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June 16, 2011

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

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JUN 16 2011

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**RE: Natural Gas Distribution Companies and the
Promotion of Competitive Retail Markets
Docket No. L-2008-2069114**

Dear Ms. Chiavetta:

I enclosed for filing the original and sixteen (16) copies of Columbia Gas of Pennsylvania, Inc.'s Comments in the referenced matter regarding Annex A (revised).

Please file the original and fifteen (15) copies and return the extra copy, file stamped, in the in the enclosed self-addressed, stamped envelope. Should you have any questions regarding this matter, please call me at 724.416.6355 or e-mail me at tjgallagher@nisource.com.

I thank you for your assistance.

Very truly yours,

Theodore J. Gallagher

enclosures

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Natural Gas Distribution Companies and : **Docket No. L-2008-2069114**
the Promotion of Competitive Retail Markets :

**COMMENTS OF
COLUMBIA GAS OF PENNSYLVANIA, INC.
TO ANNEX A (REVISED)**

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A. INTRODUCTION

Columbia Gas of Pennsylvania, Inc. ("Columbia"), by and through its attorneys, hereby submits its written comments to Annex A (revised) in the captioned matter, which the Commission issued under its Secretarial Letter, dated June 9, 2011.¹

B. BACKGROUND

Columbia provides NGDC sales and transportation services to approximately 414,000 customers in 26 counties in western, central, and south-central Pennsylvania, subject to the Commission's regulatory oversight. Columbia has developed a CHOICE program,² which provides an opportunity for its residential and small commercial customers to buy their natural gas from a variety of competitive NGSS. Columbia's CHOICE program became a permanent

¹ Columbia has previously filed comments in this matter on August 25, 2009 and on September 9, 2010.

² Customer CHOICESM is a service mark of Columbia Gas of Ohio, Inc and its use has been licensed by Columbia Gas of Pennsylvania, Inc. CHOICE[®] is a registered mark of Columbia Gas of Ohio, Inc. and its use has also been licensed by Columbia Gas of Pennsylvania, Inc.

program following the adoption of Pennsylvania's Natural Gas Choice and Competition Act, 66 Pa.C.S. §§ 2201-2212 (the "Choice Act").³

As discussed below, the changes to proposed §62.223 in Annex A (revised) do not address the serious issues concerning gas procurement charges that Columbia identified and discussed in its Comments filed on September 9, 2010.

C. COMMENTS

Price to Compare (§62.223)


In its September 9, 2010 Comments, Columbia took issue with proposed §62.223(b)(1)(i) because the Commission's proposal to shift natural gas procurement costs to NGDCs' price to compare ignores the fact that NGDCs, in administering Choice programs, incur costs that are solely attributable to serving NGSs. These costs would be incurred with or without an NGDC's SOLR obligation. Indeed, even if an NGDC were to relieve itself of its SOLR obligation by exiting the merchant function, that NGDC would still incur costs that are solely attributable to making its system work for NGSs. Those costs include, but are not limited to, flow management, communication with NGSs, balancing, banking, issuing operational orders, processing customer enrollments and de-enrollments, in addition to the extensive functionality necessary to provide consolidated billing services, process NGS rates and purchase NGS receivables on the NGDC's system. Since those costs would exist even for an NGDC that no longer procures gas, they should not be borne by non-shopping customers. While the Commission has proposed certain changes to §62.223(b)(1)(i) in Annex A (revised), Columbia's concern has not been addressed.

³ See *Re: Columbia Gas of Pennsylvania, Inc.*, Docket No. R-00994781, 93 PA. P.U.C. 375 (Order entered October 18, 1999).

Since the Commission is requiring NGDCs to shift all gas procurement costs over to the price to compare so that shopping customers do not bear costs that are attributable to service that is provided to sales customers, the regulations should also provide for NGDC direct billing to NGSs for costs that are attributable to the services provided to NGSs by NGDCs and currently paid for by both sales service and shopping customers through their distribution rates. The NGSs could then factor those costs into their "price to compare". Otherwise, non-shopping customers will subsidize costs that are incurred exclusively to serve shopping customers. If one accepts the premise that the playing field is currently tilted in favor of sales service,⁴ Columbia submits that this proposed regulation does not level that field but, rather, tilts it in favor of NGS suppliers, and may ultimately deprive natural gas consumers of the option to purchase least cost gas supply, whether regulated or not.

Respectfully submitted,

COLUMBIA GAS OF PENNSYLVANIA, INC.

By: 
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Its Attorney

Dated: June 16, 2011

⁴ Columbia does not adhere to this premise.

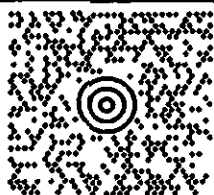
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