

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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October 14, 2014

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17101

RE: Investigation of Pennsylvania's Retail  
Natural Gas Supply Market  
Docket No. I-2013-2381742

Dear Secretary Chiavetta:

Enclosed for filing please find the Office of Consumer Advocate's Additional Comments in the above-referenced proceeding.

If you have any questions, please feel free to contact me at the number listed above.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Brandon J. Pierce', written over a printed name and title.

Brandon J. Pierce  
Assistant Consumer Advocate  
PA Attorney I.D. # 307665

Enclosure

cc: Dan Mumford (BCS)  
Kirk House (OSA)  
Office of Competitive Markets Oversight  
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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Investigation of Pennsylvania's Retail :  
Natural Gas Supply Market : Docket No. I-2013-2381742

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ADDITIONAL COMMENTS OF THE  
OFFICE OF CONSUMER ADVOCATE

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Dated: October 14, 2014

## I. INTRODUCTION

On September 12, 2013, the Pennsylvania Public Utility Commission (Commission) entered an Order initiating an Investigation of Pennsylvania's Retail Natural Gas Supply Market. September 12 Order, Docket No. I-2013-2381742 (Order Entered Sept. 12, 2013). The Commission initiated this Investigation to assess the current state of retail natural gas competition and to identify certain steps that the Commission should consider taking in order to help promote the development of competition in the retail markets for natural gas supply in the Commonwealth. The Office of Consumer Advocate (OCA) filed Comments in this Investigation on December 12, 2013.

The OCA, in its Comments, provided its assessment of the current state of gas choice in Pennsylvania, recommended opportunities for improvement, discussed the potential for expanding natural gas infrastructure, and discussed the supplier of last resort. The OCA also provided answers to the Commission's eight Directed Questions. The OCA used the introductory portion of its Comments to address those issues of particular importance to the OCA. Specifically, the OCA discussed, *inter alia*, the National Regulatory Research Institute's Report reviewing gas choice programs across the United States, titled "Gas Choice: Do Residential Customers Benefit" (NRRI Report).<sup>1</sup> The OCA also highlighted the Commission's efforts to create a level playing field for all natural gas suppliers operating in Pennsylvania.<sup>2</sup> Additionally, the OCA's introductory comments focused on the need to improve consumer education regarding gas choice and noted that there may be some overlap in this area with the

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<sup>1</sup> Available at:  
[http://www.nrri.org/pubs/gas/NRRI\\_Gas\\_Choice\\_July11-14.pdf](http://www.nrri.org/pubs/gas/NRRI_Gas_Choice_July11-14.pdf)

<sup>2</sup> See Natural Gas Distribution Companies and Promotion of Competitive Retail Markets, Revised Final Rulemaking Order, Docket No. L-2008-2069114 (Order entered June 23, 2011).

electric choice market, but also must recognize that the gas and electric retail markets are different in scope and characteristics. Finally, the OCA's answers to the Commission's Directed Questions provided responses addressing the current state of the market as it relates to residential customers.<sup>3</sup>

The Commission issued a Tentative Order on August 21, 2014 (Tentative Order), in which it announced those specific topics and issues that the Commission intends to pursue through an investigation. The Commission stated in the Tentative Order, "We invite interested parties to further comment on any issues or market enhancements that have not already been discussed and/or identified as matters to be addressed in this Investigation." Tentative Order at 3.

The OCA welcomes this opportunity to provide additional comments. The OCA appreciates the Commission's intention to provide greater opportunities for customers to participate in the retail natural gas markets and looks forward to continued participation in this investigatory process. The OCA submits these additional comments for the Commission to consider as part of the investigation.

## II. ADDITIONAL COMMENTS

The OCA notes at the outset that there are numerous areas where it agrees with the Commission. For example, the OCA agrees with Commission that the natural gas distribution company (NGDC) should remain as the supplier of last resort and that no further

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<sup>3</sup> Comments were also filed by Columbia Gas of Pennsylvania, Inc.; Dominion Retail d/b/a Dominion Energy Solutions, Interstate Gas Supply, Inc. d/b/a IGS Energy, Shipley Energy Company, and Rhoads Energy Corporation; Energy Association of Pennsylvania; IDT Energy, Inc.; Industrial Energy Consumers of Pennsylvania, Central Penn Gas Large Users Group, Columbia Industrial Intervenors, PNG Industrial Intervenors, and UGI Industrial Intervenors; National Fuel Gas Distribution Corporation; National Energy Marketers Association; Office of Small Business Advocate; PECO Energy Company; Pennsylvania Energy Marketers Coalition; Pennsylvania Independent Oil and Gas Association; Pennsylvania Petroleum Association; Pennsylvania Utility Law Project; Peoples Natural Gas Company LLC and Peoples TWP LLC; Philadelphia Gas Works; Retail Energy Supply Association; UGI Central Penn Gas, Inc., UGI Penn Natural Gas, Inc., and UGI Utilities, Inc. – Gas Division; UGI Energy Services, LLC; Valley Energy, Inc.; and Washington Gas Energy Services, Inc.

unbundling is necessary at this time. As per the Commission's Tentative Order, the OCA does not provide further comments addressing those issues and other issues already identified and discussed. The OCA focuses these comments on additional issues identified in the Tentative Order.

The OCA submits that three consumer issues arise from the Tentative Order and recommends that OCMO give these issues priority for investigation and full development of the facts necessary for the decision. Two of those items are the seamless moves and instant connects and accelerated switching. The OCA agrees that these initiatives may provide benefits to consumers and should be considered early in the process. It is not yet clear, however, what the costs and benefits associated with those initiatives are at this time. The costs and benefits will need to be thoroughly developed through the OCMO process. As the OCA noted in its Comments, retail choice for natural gas has not provided many benefits for consumers in Pennsylvania or nationwide, thus requiring a careful balancing of costs and benefits.

The third consumer issue to arise from the Tentative Order that should take priority concerns disclosure requirements. The OCA agrees with the need to examine the current regulations applicable to NGSs and at least conform them to the recent reforms adopted for electric generation suppliers. The OCA submits, however, that the natural gas and electric markets are different markets and any reforms should specifically account for the unique circumstances of the natural gas retail market, as applicable. The OCA submits that the Commission should place a high priority on preparing proposed revisions to the current natural gas market regulations and solicit public comment and input for consideration by the Commission. The OCA looks forward to working collaboratively with the parties to create more uniform rules for ratepayers.

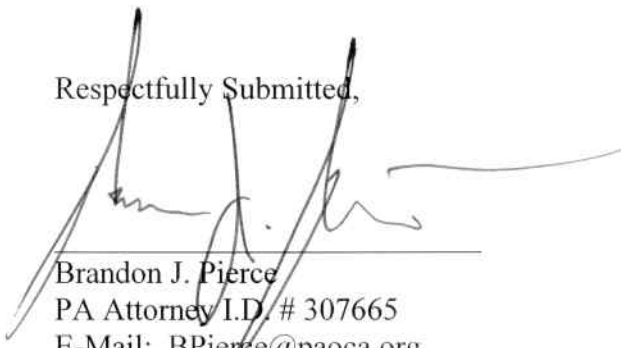
The OCA would also note that as to the Standard Offer Program (SOP), the OCA agrees with the Commission's recommendation to assign a lower priority to the development of SOP programs for the retail natural gas market at this time. The OCA remains concerned that under the program design currently in effect for electric companies, it is possible for participating customers to pay more for their SOP contract than the Price to Compare (PTC) as a result of changes to the PTC during the SOP contract terms. When this initiative is further discussed for the natural gas industry, consideration must be given to consumer protection policies that will ensure that customers who agree to enter the program will actually receive a lower price during the term of the SOP contract and that renewal terms provide adequate consumer protections.

Further, the OCA agrees with the Commission's observation that "customer satisfaction is key to the success of any retail market." To better consider reforms that will increase customer satisfaction, the OCA recommends that OCMO explore the basis for customer satisfaction, perhaps through a survey, as part of this process. Finally, the OCA agrees with the Commission with regard to OCMO conducting a survey of NGDCs' participation in the retail gas market by Customer Assistance Program (CAP) participants. The OCA urges the Commission to ensure that this survey obtains data that compares the price that the CAP customers are paying to NGSs compared to what the customer would have paid pursuant to the SOLR during the term of the customer's enrollment with the NGS. Since most NGDCs bill on behalf of NGSs, this data is readily available and can be considered in determining if in fact these customers are obtaining "lower cost" natural gas supply service.

### III. CONCLUSION

The OCA appreciates the opportunity to present its additional comments to the Commission in this matter. As set forth herein, the OCA submits that opportunities exist for the Commission to improve and enhance the retail natural gas market for the benefit of consumers. The OCA looks forward to working with the Commission and other stakeholders in addressing these important issues.

Respectfully Submitted,



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