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February 21, 2017

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor  
Harrisburg, PA 17120

**VIA ELECTRONIC FILING**

**RE: Rulemaking to Amend the Provisions of 52 Pa. Code, Chapter 59 Regulations  
Regarding Standards For Changing a Customer's Natural Gas Supplier;  
Docket No. L-2016-2577413**

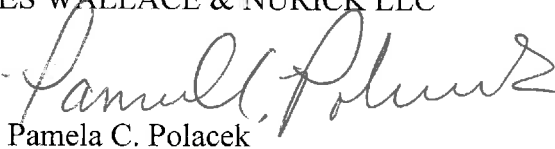
Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission") are the Comments of Valley Energy, Inc. regarding the above-referenced Regulations. All Interested Parties have been served with a copy of the Comments, as indicated on the Certificate of Service. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By

  
Pamela C. Polacek

Counsel to Valley Energy, Inc.

Enclosures

c: Certificate of Service  
Erin Laudenslager, Bureau of Technical Utility Services  
(via E-Mail and First-Class Mail)

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**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

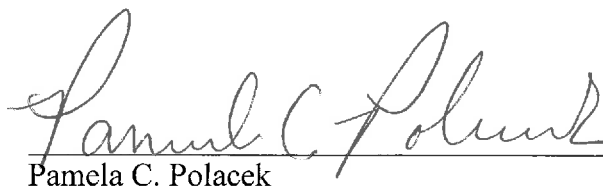
**FIRST CLASS MAIL**

Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, PA 17101

Office of Consumer Advocate  
555 Walnut Street  
Forum Place - 5th Floor  
Harrisburg, PA 17101-1921

Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor West  
Harrisburg, PA 17120

Donna M.J. Clark, Esquire  
Energy Association of PA  
800 North Third Street, Suite 205  
Harrisburg, PA 17102

  
Pamela C. Polacek

Counsel to Valley Energy, Inc.

Dated this 21st day of February, 2017, at Harrisburg, Pennsylvania.

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>RULEMAKING TO AMEND THE</b>	:	
<b>PROVISIONS OF 52 PA. CODE,</b>	:	
<b>CHAPTER 59 REGULATIONS</b>	:	<b>Docket No. L-2016-2577413</b>
<b>REGARDING STANDARDS FOR</b>	:	
<b>CHANGING A CUSTOMER'S NATURAL</b>	:	
<b>GAS SUPPLIER</b>	:	

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**COMMENTS OF  
VALLEY ENERGY, INC.**

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**I. INTRODUCTION**

On December 22, 2016, the Pennsylvania Public Utility Commission ("PUC" or "Commission") adopted and entered an Advance Notice of Proposed Rulemaking Order ("Order") in the above-captioned proceeding to solicit Comments about amending and adding to its regulations at 52 Pa. Code §§ 59.91-59.99. These regulations govern the process for transferring a customer's account from a supplier of last resort ("SOLR") service to a competitive natural gas supplier ("NGS" or "supplier"), from one NGS to another NGS, and from an NGS to SOLR service. Order, p. 1. The PUC proposes various adjustments, including: modifying enrollment windows, tightening notice timeframes, and utilizing off-cycle switching. *Id.* at p. 17. Furthermore, the Commission recommends changes to bring NGS rules into alignment with Electric Generation Supplier ("EGS") rules to the furthest extent possible. *Id.* at p. 18.

On January 7, 2017, the *Pennsylvania Bulletin* published the Commission's Order and indicated stakeholders had until February 21, 2017, to submit Comments on the proposed rulemaking. Accordingly, Valley Energy, Inc. ("Valley" or "Company") respectfully submits the following Comments in response to the Commission's Order.

## II. COMMENTS

Valley reviewed the Order with respect to whether there is a need for the proposed amendments to regulations under 52 Pa. Code §§ 59.91-59.99. As the Commission is aware, Valley is a small Natural Gas Distribution Company ("NGDC") with a 2016 revenue of \$8,067,859, which makes Valley a "small gas utility" under the Commission's regulations. 52 Pa. Code § 53.63. The Company provides natural gas distribution service to all customers in its territory and provides natural gas supply service to its SOLR customers. At this time, Valley does not possess Electronic Data Interchange ("EDI") capabilities. Accordingly, the small nature of Valley's operations, and its lack of EDI, creates unique and amplified impacts on its operations if it must accommodate mid-cycle switching from SOLR service to NGS service, NGS service to SOLR service, and from one NGS to another NGS. Unlike larger natural gas utilities, Valley does not have as many customers and energy sales to offset the potential costs of implementing several of the PUC's proposed amendments to 52 Pa. Code §§ 59.91-59.99. Accordingly, Valley respectfully suggests the Commission refrain from approving the Order's proposed regulations at this time.

### **A. The Commission Should Refrain From Implementing The Order's Proposed Regulations.**

The Commission proposes several amendments to existing regulations under 52 Pa. Code §§ 59.91-59.99. Of particular concern to Valley is the Commission's desire to require off-cycle switching. Currently, Section 59.94 of the Commission's regulations provides that when a customer notifies the NGS it wishes to switch to another supplier, "the NGDC shall make the change at the beginning of the first feasible billing period following the 10-day waiting period, as prescribed in § 59.93 (relating to customer contacts with NGSs)." 52 Pa. Code § 59.94.

The natural gas industry faces unique challenges that make accelerated switching a different, and more difficult, process in comparison to imposition of accelerated switching in the electric industry because of a lack of advanced metering, various back-office processes, and nomination timeframes. Of particular concern to Valley is the fact that accelerated switching will require off-cycle switching which poses operational issues for small utilities like Valley. Valley does not object to shortening the enrollment window for supplier changes that occur on the meter read date (*i.e.*, on-cycle switches). NGSs in Valley's territory serve only the largest 68 accounts and do not use consolidated billing. Valley will need to process by hand each bill that implements a mid-cycle switch. Various NGDCs use different electronic methodologies in communicating customer information with NGSs, and any utilities without EDI software will find it incredibly difficult to successfully switch customers' sources of natural gas supply in a three-day time period. The PUC's Order does not provide any leeway or other solution for utilities without EDI capabilities, and instead indicates it will leave this to the "discretion of the NGDCs and NGSs." Order, p. 28. Even utilities which have EDI may find it difficult to comply with a three-day timeframe because of a lack of advanced metering, back-office processes, gas nomination timeframes, and other operational constraints that cannot be easily circumvented without significant cost. Accordingly, Valley submits the Order's proposed regulations be denied, because their constraints on switching timeframes are infeasible for Valley and other small utilities.

**B. In The Alternative, And At A Minimum, The Commission Should Exempt Small Utilities, Particularly Those Without EDI, From The Mid-Cycle Switching Provisions If Such Provisions Are Enacted.**

In the alternative, if the PUC opts to approve the Order's proposed regulations, the PUC should exempt small utilities, particularly those without EDI, from the Order's mid-cycle

switching provisions. PUC precedent exists for this type of action. In 2016, the PUC exempted Valley from the requirement to place a NGS logo on its customer bills. See Final Order, *Petition of Valley Energy, Inc. for Delay in Logo Portion of Joint Natural Gas Distribution Company – Natural Gas Supplier Bill Format*, Docket No. P-2016-2550226 (July 21, 2016); Final Order, *Investigation of Pennsylvania's Retail Natural Gas Market: Joint Natural Gas Distribution Company – Natural Gas Supplier Bill*; Docket No. M-2015-2474802 (July 21, 2016) (collectively, "NGS Logo Final Orders"). Valley indicated its billing system was not programmed to issue consolidated bills, and implementing system modifications to add NGS logos onto Valley's bills would be unduly burdensome and expensive because Valley lacks EDI capabilities necessary to issue consolidated bills. Valley estimates it will cost over \$500,000 to install EDI and implement consolidated billing. Given Valley's small customer base and limited resources, and provided that no NGSs serving Valley's existing transportation customers have complained about the absence of consolidated billing, the PUC concurred with the Company that it should be exempted from that regulatory burden. NGS Logo Final Orders, pp. 7-9.

Valley is willing to follow the same process for mid-cycle switching that it proposed for the NGS logos. Namely, Valley will delay implementation of the mid-cycle switching aspect of the Order's proposed regulations until a NGS requests mid-cycle switching. At that time, Valley proposes to file a notice with the Commission which will include a plan to investigate the costs and implementation timeline to pursue consolidated billing, mid-cycle switching and the addition of NGS logos to the bill. After that investigation, Valley will submit a further filing with the Commission which includes either an implementation plan, including a cost recovery proposal, or Valley will file a request for a permanent waiver of the requirement. As such, Valley submits that if the PUC approves the Order's proposed regulatory changes to 52 Pa. Code §§ 59.91-59.99,

the Commission should expressly exempt Valley, and other small utilities, from compliance with the Order's mid-cycle switching provisions.

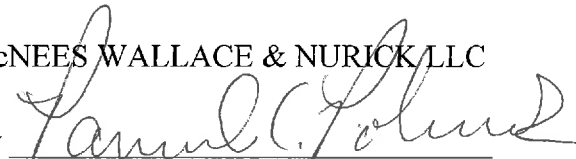
**III. CONCLUSION**

**WHEREFORE**, Valley Energy, Inc. respectfully requests the Pennsylvania Public Utility Commission consider these Comments in evaluating whether to approve and implement the regulations proposed in the Order.

Respectfully submitted,

McNEES WALLACE & NURICK/LLC

By



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Dated: February 21, 2017