National Fuel

**Maureen Geary Krowicki**
*Deputy General Counsel*

June 5, 2017

***VIA ELECTRONIC FILING***
Ms. Rosemary Chiavetta, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

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 are National Fuel Gas Distribution Corporation's additional comments in the above-referenced matter.

Sincerely,

Maureen Geary Krowicki

MGK/cjc

Enclosure

**BEFORE THE**
**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| | | |
|---|---|---|
| **Rulemaking to Amend the Provisions of 52 Pa. Code, Chapter 59 Regulations Regarding Standards For Changing a Customer's Natural Gas Supplier** | : | **Docket Number: L-2016-2577413** |

---

**COMMENTS OF**
**NATIONAL FUEL GAS DISTRIBUTION CORPORATION**
**TO THE ORDER DATED APRIL 20, 2017**

---

## I. Introduction.

On December 22, 2016, the Pennsylvania Public Utility Commission ("PUC" or "Commission") entered an Advance Notice of Proposed Rulemaking Order to Amend the Provisions of 52 Pa. Code §§ 59.91 – 59.99 Regarding Standards for Changing a Customer's Natural Gas Supplier in Docket No. L-2016-2577413 ("ANOPR"). These regulations would *address the process for transferring a customer's account from a service of last resort ("SOLR") provider to a competitive natural gas supplier ("NGS" or "Supplier"), from one supplier to another supplier, and from a supplier to SOLR service.*[1] The objective of the proposed changes is to align the switching rules in the natural gas utility industry with current regulations in the electric utility industry ("Switching Alignment Proposal") while also preserving safeguards to prevent unauthorized switching of a customer's account, also known as slamming.

---

[1] ANOPR, p. 1. The ANOPR also proposes addition of a definition for "Supplier of last resort" to § 59.91 in Title 52 of the Pennsylvania Code.

Following receipt of stakeholder comments to the ANOPR, the Commission entered an additional order at Docket No. L-2016-2577413 on April 20, 2017 ("April 20 Order") inviting stakeholders to provide additional comments and highlighting a few specific matters for additional vetting.[2] National Fuel Gas Distribution Corporation ("Distribution" or "the Company") appreciates the Commission's efforts to gather additional input on a number of discrete issues raised in the initial set of comments and therefore submits the following Comments. Distribution also supports the Comments of the Energy Association of Pennsylvania (the "EAP"), of which Distribution is a member, filed contemporaneously at this Docket.

## II. Comments

As stated in its initial comments,[3] Distribution does not support the ANOPR's Switching Alignment Proposal. No NGS actively participating in Distribution's retail choice program has contacted the Company to express support for the Switching Alignment Proposal.[4] While the Company suggests maintaining the status quo, should the Commission choose to move forward with new procedures, it is imperative that each utility is allowed to implement solutions most aligned with their business system capabilities and natural gas assets. This would be the most cost effective approach.

In Distribution's case, a retroactive switch would shorten the switching timeline by 30 days without requiring significant billing system changes or installation of advanced metering infrastructure ("AMI"). While Distribution has not performed a

[2] April 20 Order, p.3.
[3] Docket Number: L-2016-2577413, Comments of National Fuel Gas Distribution Corporation to the Advanced Notice of Proposed Rulemaking Order, February 21, 2017 ("Initial Comments").
[4] The Company discussed the Switching Alignment Proposal during its Spring 2017 Marketer/Supplier Teleconference held on March 16, 2017.

formal study to determine the costs of implementing retroactive switching, AMI costs and many of the Systems development costs identified in the Attachment to its Initial Comments would be eliminated. Retroactive switching would carry a more modest ballpark cost of $200,000 primarily because the one supplier per bill relationship would be maintained.

Distribution notes that its retroactive switching proposal presumes that existing customer notification procedures would remain in place; if a switch was received at least 11 days prior to the next scheduled switch date,[5] the switch would be retroactive to the start of the customer's billing cycle. NGS service would commence at the start of the next billing cycle when switches are received less than 11 days prior to the scheduled switch date. A customer would be permitted one retroactive switch per month and the responsibility for delivering gas for the customer would begin on or about the earlier of the date the EDI transaction for retroactive switch was processed or the first day of the next billing cycle (depending upon whether the commencement of NGS service was retroactive or prospective).

Given its proximity to shale production as well as pipeline capacity (transmission and storage) released to NGSs, the Company believes that gas imbalances due to retroactive switching can be managed within its current cash out mechanism. To some extent, NGSs who lose customers should be incentivized to replace lost customers with new customers thereby mitigating their potential imbalance position. Nevertheless, as a reliability tool, the Company will need the ability to suspend retroactive enrollment

[5] This date is the end of the customer's billing cycle, i.e. the scheduled meter reading date.

switches during critical periods, e.g. as OFOs and/or System Alerts, to the extent gas supply or market disruptions are being experienced.

Finally, Distribution is concerned about any clearinghouse function beyond the passive role[6] of its cash out mechanism. While no detailed proposal has been put forward, any proposals that place NGDCs in the middle of transactions between NGSs are fraught with peril. Potential violations of Federal Energy Regulatory Commission ("FERC") regulations concerning "Shipper Must Have Title" and prohibited buy-sell transactions as are not trivial matters.[7] While FERC waives its prohibition on tying and bidding requirements for capacity releases made as part of state-approved retail open access programs,[8] simply adding a clearinghouse feature to Pennsylvania's retail open access program does not automatically extend these waivers. The potential FERC action required to vet a clearinghouse role could range from a "no-action" letter to a full-blown proceeding such as RM08-1. Without a formal clearinghouse proposal, it is unclear what federal regulatory action will be required or how long such action would take. Presumably the advocates for the Switching Alignment Proposal would take the lead in such action and bear the consequent cost of their advocacy role.

Further, even if the FERC hurdles are cleared, gas utilities avoid heavy Dodd-Frank Act oriented Commodity Futures Trading Commission ("CFTC") reporting because they are seen as end users of gas rather than parties taking active market

---

[6] As described in its tariff, Distribution's cash out is based upon the market price of gas at TGP's Zone 4 200 Line Pool, i.e. Distribution does not set the price NGSs would pay or be paid for imbalances resulting from retroactive switching.
[7] FERC has the authority to levy civil monetary penalties of up to $1,193,970 per violation, per day under 16 U.S.C. § 825o-1(b), Sec. 316A of the Federal Power Act 1.2 million per day for market violations- see FERC Docket No. RM16-16-000; Order No. 826 (Issued June 29, 2016).
[8] See FERC Docket No. RM08-1-000 ("RM08-1"); Order No. 712 - Promotion of a More Efficient Capacity Release Market (Issued June 19, 2008), Order No. 712-A (Issued November 21, 2008) and Order No, 712-B (Issued April 16, 2009).

positions that could fall within or result from the responsibilities of being a clearinghouse. Beyond the cost of compliance with enhanced reporting requirements, depending upon the clearinghouse proposal, NGDCs could be further exposed to gas market risk, for example, during periods of volatile electric market pricing.

## III. Conclusion

Wherefore, Distribution respectfully requests that the Commission consider the foregoing comments in its deliberations over the Proposed Regulations.

Respectfully submitted,


Michael E. Novak
Assistant General Manager,
Rates & Regulatory Affairs
National Fuel Gas Distribution
Corporation
6363 Main Street
Williamsville, NY 14221-5887
NovakM@natfuel.com


Dated: June 5, 2017