

<b>Regulatory Analysis Form</b>		<b>This space for use by IRRC</b>
(1) Agency  Pennsylvania Public Utility Commission		<p style="text-align: center;">RECEIVED</p> <p style="text-align: center;">2000 MAY 17 PM 2: 23</p> <p style="text-align: center;">RECEIVED BY THE IRRC FOR REVIEW COMMISSION</p> <p><b>IRRC Number:</b> 2007</p>
(2) I.D. Number (Governor*s Office Use)  M-00991249F0007/L-00990143/57-207		
(3) Short Title  Final Rulemaking Order regarding requirements for natural gas distribution companies pursuant to Section 1307(f) of Title 66 regarding recovery of natural gas costs and the Fixed Rate Option.		
(4) PA Code Cite  52 Pa. Code Section 53.69	(5) Agency Contacts & Telephone Numbers  Primary Contact: Lawrence F. Barth 772-8579  Secondary Contact: Robert Bennett 787-5553	
(6) Type of Rulemaking (check one)  <input type="checkbox"/> Proposed Rulemaking <input checked="" type="checkbox"/> Final Order Adopting Regulation <input type="checkbox"/> Final Order, Proposed Rulemaking Omitted	(7) Is a 120-Day Emergency Certification Attached?  <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes: By the Attorney General <input type="checkbox"/> Yes: By the Governor	
(8) Briefly explain the regulation in clear and nontechnical language.  On July 1, 1999, the Natural Gas Choice and Competition Act became effective. The Act, requires the Commission to promulgate rules or regulations governing within 60 days. This section of the Act provides that if a natural gas distribution company elects to reconcile its gas costs more frequently than quarterly, it must offer a Fixed Rate Option to customers. The purpose of this regulation is to implement rules which standardize procedures natural gas distribution companies must take to comply with the Act in providing a fixed rate option.		
(9) State the statutory authority for the regulation and any relevant state or federal court decisions.  66 Pa. C.S. 1307(f)(1)(II)		

## Regulatory Analysis Form

(10) Is the regulation mandated by any federal or state law or court order, or federal regulation? If yes, cite the specific law, case or regulation, and any deadlines for action.

See response to No. 8 and 9 above.

(11) Explain the compelling public interest that justifies the regulation. What is the problem it addresses?

This final rulemaking is submitted to comply with Section 1307(f)(1)(II) of the Natural Gas Choice and Competition Act which became effective on July 1, 1999.

(12) State the public health, safety, environmental or general welfare risks associated with nonregulation.

None

(13) Describe who will benefit from the regulation. (Quantify the benefits as completely as possible and approximate the number of people who will benefit.)

All natural gas customers receiving service at retail could effectively benefit from this proposed rulemaking.

## Regulatory Analysis Form

(14) Describe who will be adversely affected by the regulation. (Quantify the adverse effects as completely as possible and approximate the number of people who will be adversely affected.)

None

(15) List the persons, groups or entities that will be required to comply with the regulation. (Approximate the number of people who will be required to comply.)

Compliance with this regulation will be required of each local distribution company with annual revenues in excess of \$6 million, which files a tariff to establish a mechanism which adjusts its rates for natural gas sales on a regular, but no more frequently than monthly, basis.

(16) Describe the communications with and input from the public in the development and drafting of the regulation. List the persons and/or groups who were involved, if applicable.

None

(17) Provide a specific estimate of the costs and/or savings to the regulated community associated with compliance, including any legal, accounting or consulting procedures which may be required.

The local distribution companies may avoid the payment of interest on overcollections of gas revenues to its retail customers by using a monthly reconciliation of gas sales.

## Regulatory Analysis Form

(18) Provide a specific estimate of the costs and/or savings to local governments associated with compliance, including any legal, accounting or consulting procedures which may be required.

None

(19) Provide a specific estimate of the costs and/or savings to state government associated with the implementation of the regulation, including any legal, accounting, or consulting procedures which may be required.

None

## Regulatory Analysis Form

(20) In the table below, provide an estimate of the fiscal savings and costs associated with implementation and compliance for the regulated community, local government, and state government for the current year and five subsequent years.

	Current FY Year	FY +1 Year	FY +2 Year	FY +3 Year	FY +4 Year	FY +5 Year
<b>SAVINGS:</b>	\$	\$	\$	\$	\$	\$
Regulated Community						
Local Government						
State Government						
Total Savings						
<b>COSTS:</b>						
Regulated Community						
Local Government						
State Government						
Total Costs						
<b>REVENUE LOSSES:</b>						
Regulated Community						
Local Government						
State Government						
Total Revenue Losses						

(20a) Explain how the cost estimates listed above were derived.

N/A

## Regulatory Analysis Form

(20b) Provide the past three year expenditure history for programs affected by the regulation.

Program	FY -3	FY -2	FY -1	Current FY
N/A				

(21) Using the cost-benefit information provided above, explain how the benefits of the regulation outweigh the adverse effects and costs.

N/A

(22) Describe the nonregulatory alternatives considered and the costs associated with those alternatives. Provide the reasons for their dismissal.

N/A

(23) Describe alternative regulatory schemes considered and the costs associated with those schemes. Provide the reasons for their dismissal.

N/A

## Regulatory Analysis Form

(24) Are there any provisions that are more stringent than federal standards? If yes, identify the specific provisions and the compelling Pennsylvania interest that demands stronger regulation.

No

(25) How does this regulation compare with those of other states? Will the regulation put Pennsylvania at a competitive disadvantage with other states?

No. This regulation should be advantageous to Pennsylvania local distribution companies.

(26) Will the regulation affect existing or proposed regulations of the promulgating agency or other state agencies? If yes, explain and provide specific citations.

No, proposed Section 53.69 is currently vacant.

(27) Will any public hearings or informational meetings be scheduled? Please provide the dates, times, and locations, if available.

No

## Regulatory Analysis Form

(28) Will the regulation change existing reporting, record keeping, or other paperwork requirements? Describe the changes and attach copies of forms or reports which will be required as a result of implementation, if available.

Yes. Local distribution companies will be required to maintain separate reconciliation data, calculations and rates on a monthly basis for the Fixed Rate Option class of retail sales.

(29) Please list any special provisions which have been developed to meet the particular needs of affected groups or persons including, but not limited to, minorities, elderly, small businesses, and farmers.

None

(30) What is the anticipated effective date of the regulation; the date by which compliance with the regulation will be required; and the date by which any required permits, licenses or other approvals must be obtained?

The regulation will become effective upon publication in the Pennsylvania Bulletin following review by the standing committees and the Independent Regulatory Review Commission.

(31) Provide the schedule for continual review of the regulation.

The regulation will be reviewed on an ongoing basis.



FACE SHEET  
FOR FILING DOCUMENTS  
WITH THE LEGISLATIVE REFERENCE BUREAU

(Pursuant to Commonwealth Documents Law)

RECEIVED

2000 MAY 17 PH 2:23

LEGISLATIVE REFERENCE BUREAU  
REVIEW COMMISSION

DO NOT WRITE IN THIS SPACE

2007

<p>Copy below is hereby approved as to form and legality. Attorney General.</p> <p>BY _____ (DEPUTY ATTORNEY GENERAL)</p> <p>_____ DATE OF APPROVAL</p> <p><input type="checkbox"/> Check if applicable Copy not approved. Objections attached</p>	<p>Copy below is hereby certified to be true and correct copy of a document issued, prescribed or promulgated by:</p> <p><u>Pennsylvania Public Utility Commission</u> (AGENCY)</p> <p>DOCUMENT/FISCAL NOTE NO. <u>L-00990143/57-207</u></p> <p>DATE OF ADOPTION <u>May 11, 2000</u></p> <p>BY <u>James J. McNulty</u> James J. McNulty ( SECRETARY)</p> <p>TITLE _____</p>	<p>Copy below is hereby approved as to form and legality. Executive or independent Agencies.</p> <p>BY <u>Bohdan R. Pankiw</u> Bohdan R. Pankiw Chief Counsel</p> <p><u>5-11-00</u> DATE OF APPROVAL</p> <p><input type="checkbox"/> Check if applicable. No Attorney General approval or objection within 30 days after submission.</p>
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L-00990143/57-207  
Final Rulemaking  
Requirements for Natural Gas Distribution  
Companies pursuant to Section 1307(f) of  
Title 66 regarding Recovery of Natural Gas Costs  
and the Fixed Rate Option  
52 Pa. Code, Chapter 53

The Pennsylvania Public Utility Commission on May 11, 2000, adopted a final rulemaking implementing changes in requirements mandated in the Natural Gas Choice and Competition Act for natural gas distribution companies regarding recovery of natural gas costs. The contact persons are Robert Bennett, Bureau of Fixed Utility Services, 787-5553 and Lawrence F. Barth, Law Bureau, 772-8579.

## **EXECUTIVE SUMMARY**

**L-00990143/57-207**

**Final Rulemaking**

**Re: Requirement for natural gas distribution  
companies pursuant to Section 1307(f) of Title 66  
regarding recovery of natural gas costs and the Fixed  
Rate Option  
52 Pa. Code, Chapter 53**

On June 22, 1999, Governor Thomas J. Ridge signed into law the Natural Gas Choice and Competition Act (Act). 66 Pa. C.S. §§ 2201-2212. Pursuant to Section 1307(f)(1)(II) of the Act, a natural gas distribution company may file a tariff to establish a mechanism by which its rates for natural gas sales may be adjusted on a regular basis but no more frequently than monthly. This monthly adjustment is to reflect actual or projected changes in natural gas costs currently reflected in rates. In the event that the natural gas distribution company adjusts rates more frequently than quarterly, it shall also offer retail gas customers a fixed rate option which recovers natural gas costs over a 12-month period.

The regulation concerns the following: 1) the reconciliation mechanism and period; 2) the contract period and customer sign-up procedures; and 3) applicability to 52 Pa. Code Chapter 56 regarding the Commission's standards and billing practices for residential utility service.

The contact persons are Lawrence F. Barth, Law Bureau (717) 772-8579, and Robert Bennett, Fixed Utility Services (717) 787-5553.

**PENNSYLVANIA  
PUBLIC UTILITY COMMISSION  
Harrisburg, PA. 17105-3265**

Public Meeting held May 11, 2000

**Commissioners Present:**

**John M. Quain, Chairman  
Robert K. Bloom, Vice Chairman  
Nora Mead Brownell  
Aaron Wilson, Jr.  
Terrance J. Fitzpatrick**

**Rulemaking Re: Requirements for Natural Gas  
Distribution Companies pursuant to Section  
1307(f) of Title 66 Regarding Recovery of  
Natural Gas Costs and the Fixed Rate Option 52  
Pa. Code, Chapter 53**

**Docket Number:  
L-00990143  
M-00991249F0007**

**FINAL RULEMAKING ORDER**

**BY THE COMMISSION:**

On June 22, 1999, Governor Thomas J. Ridge signed into law the Natural Gas Choice and Competition Act (Act). (66 Pa. C.S. §§2201-2212). Pursuant to the Act, retail customers will have the ability to choose their natural gas supplier.

With regard to service for customers who continue to purchase gas from their Natural Gas Distribution Company (NGDC), the Act provides that each such company may file a tariff which would permit it to adjust its gas cost rates on a regular basis, as frequently as once a month. (66 Pa. C.S. §1307(f)(1)(ii)). Prior to the Act, utilities were limited to making these adjustments no more frequently than once per quarter.

Now under the Act should a NGDC choose to adjust its rates more frequently than quarterly, it must offer its retail customers a fixed rate option which recovers natural gas costs over a 12-month period subject to annual reconciliation. (66 Pa. C.S. §1307(f)(1)(ii)).

On August 13, 1999, the Commission entered a Proposed Rulemaking Order, published at 29 Pa. B. 5098 (October 2, 1999) which set forth for comment proposed regulations which would apply to each NGDC offering a fixed rate option. Comments were received from the Office of Trial Staff (OTS), the Pennsylvania Gas Association (PGA), the Office of the Consumer Advocate of Pennsylvania (OCA), and the Independent Regulatory Review Commission (IRRC).

## **DISCUSSION**

### **A. Application**

#### **1. Position of the Parties**

The IRRC and the OCA commented that the Act limits the applicability of a fixed rate option to NGDCs with gross intrastate operating revenues in excess of \$40 million. OCA Comments, p.2; IRRC Comments, p.1. These parties note that section 1307(f)(1)(ii) does not apply to other natural gas distribution companies that employ a gas cost rate established pursuant to section 1307(a) through (e).

#### **2. Resolution**

We agree. The language of the Act places the \$40 million limit on the applicability of the fixed rate option. (66 Pa. C.S. §1307(f)(1)). The fixed rate option regulations shall apply only to those NGDCs with gross intrastate operating annual revenues in excess of \$40 million whose natural gas costs are recovered through section 1307(f).

## **B. 52 Pa. Code §53.69(a)**

### **1. Position of the Parties**

This section of the proposed regulations sets forth the gas costs covered by the fixed rate option and would allow the fixed rate option to apply either for the heating season or another time period which is not to exceed twelve months.

OCA submitted that a fixed rate option for less than a twelve-month period, such as the heating season, was not contemplated by the General Assembly. OCA comments, p 4. OCA argued that it did not believe that it was advisable at this time to implement such an option even if the statute could be interpreted to allow for it. The OCA stated that it anticipated that most competitive gas supply offers would be for a twelve-month period and not vary by season. OCA further argued that the intent of the Act concerning the fixed rate option was to provide a stable option for the entire year rather than a price that fluctuated by season.

The IRRC stated that the proposal to allow a fixed rate option for either the heating season or another time period appeared to be in direct conflict with the Act. IRRC Comments, p.1. The IRRC believes that the General Assembly did not contemplate allowing a distribution company to offer the fixed rate option for time periods shorter than 12 months. The IRRC cited specific language in section 1307(f)(1)(ii) that refers to the recovery of "natural gas costs over a 12-month period." The IRRC also cites references to 12-month periods in section 1307(f)(3) and section 1307(f)(5).

### **2. Resolution**

While the Commission believes that the Act may be interpreted to allow the implementation of a fixed rate option covering a heating season with section 1307(f) type rates covering the balance of the twelve-month period, we are persuaded by the arguments of OCA concerning the need to establish a stable option to the anticipated twelve-month service offers by competitive natural gas

suppliers. We will, therefore, amend this section of the proposed regulations to delete references to the heating season or another time period.

**C. 52 Pa. Code §53.69(b)**

**1. Position of the Parties**

This section of the proposed regulations sets forth the reconciliation of the fixed rate option sales, revenues and costs.

OCA submitted that the fixed rate option should be designed to recover an annual level of gas costs, reconciled on an annual basis, and should not be separately reconciled from the gas costs for non-fixed rate option customers. Moreover, customers should be permitted to select the fixed rate option or switch to the fixed rate option with minimal limitations. OCA Comments, pp. 3-5. OCA stated that the statutory language contemplated a fixed rate for gas supply for a twelve month period with an annual reconciliation. OCA argued that this procedure was to give customers a more stable option than the option provided for those companies with section 1307 adjustment procedures which impose changes more frequently than once per quarter. OCA stated that the fixed rate option was designed to provide customers with a choice as to the level of stability of the gas prices and was not intended to provide customers with a separate gas supply with a different underlying amount of costs.

OCA believes that to utilize separate gas supply assets to serve fixed rate option customers, as compared to monthly-reconciled customers, would be a quantitatively different service offering. OCA submits that the fixed rate option is not contract rate, but a tariff rate that should be equally available to customers as a more frequently adjusted rate and should have no limitation on its availability. Finally, OCA criticized the "no reconciliation" procedure because it states a reconciliation procedure is mandated by the Act and must be utilized.

The IRRC stated that the Commission does not have the statutory authority to allow the fixed rate option proceedings with no reconciliation. IRRC Comments, pp.1-2; citing 66 Pa. C.S. §1307(f)(1)(ii).

OTS recommended that the reconciliation period under the fixed rate option coincide with the section 1307(f) reconciliation period and that annual filings be made in connection with the annual section 1307(f) filing. OTS Comments, pp.1-3. OTS stated that this would enable all parties to the proceeding to verify and review the companies' direct assignments and/or allocations of gas costs to the traditional section 1307(f) customers and the fixed rate option customers. OTS supported a separate fixed rate option reconciliation calculation to prevent cross subsidization between customers. OTS stated that the separate reconciliation implies the development of separate E-factor over/under collection for section 1307(f) and fixed rate option customers. OTS stated that this was its preferred option in the initial year of restructuring. OTS also stated it supported a fixed rate option without reconciliation. OTS believes that this would be consistent with a gradual movement toward incentive regulation and would reflect a movement toward deregulating the merchant function to promote competition for natural gas commodity sales. However, OTS believes that the "no reconciliation" option should be requested by the NGDCs in connection with a base rate proceeding so that any base rate implications could be addressed.

The PGA stated that reconciliation of the fixed and variable rate options separately must be rejected as unwarranted and unworkable. PGA Comments, pp.1-3. The PGA submits that section 1307(f) natural gas costs should be reconciled on a consolidated basis with no segregation of natural gas costs incurred to provide service under the fixed rate option. The PGA argued that all customers are equally exposed to price fluctuations and the effects of these fluctuations should be resolved through the section 1307(f) reconciliation process. The PGA believed that a consolidated reconciliation would entail fewer

administrative burdens and would lessen the customers' incentives to migrate from fixed to variable service or vice versa depending on the relative difference between the reconciliation adjustments. Furthermore, the PGA argued that, if separate reconciliations were required, there would be a need to implement a second set of migration riders to account for the cost effects of customers switching between fixed rate and variable rate service. The PGA recommended that the Commission refrain from mandating a particular reconciliation methodology and allow the NGDCs to develop and advance specific proposals in individual section 1307(f) filings. The PGA believes that the "no reconciliation" concept may be worth exploring.

## **2. Resolution**

We believe that competitive natural gas suppliers will offer customers natural gas supplies for fixed price for twelve-month period without a reconciliation process similar to that employed under section 1307(f). This was the underlying reason the Commission requested comments on the "no reconciliation" alternative. Upon review of the parties' comments the Commission believes that it may lack sufficient jurisdiction under the Act to implement a "no reconciliation" alternative. Therefore, the Commission shall not employ such a reconciliation option under the proposed fixed rate option regulations.

We acknowledge that separate reconciliations for fixed rate option customers and variable rate customers will add to the complexities and administrative burdens of the section 1307(f) process. However, the ability to vary natural gas charges on a monthly basis also adds to the NGDC's administrative burdens while offsetting cash working capital requirements due to undercollections of gas costs.

We are not persuaded by the arguments raised against separate reconciliations of the gas costs for fixed rate option customers as opposed to variable rate option customers. We believe that the OTS correctly notes the



potential for cross subsidization. We believe that variable rate option customers would be called upon to pay unrecovered gas costs incurred by service to the fixed rate option customers. Variable rate option customers may see their gas costs fluctuate monthly. This should enable the NGDCs to match their monthly charges with their actual costs. The Commission believes that it is reasonable to assume that fixed rate option customers actual gas costs will vary more frequently from the fixed rate option charges and, therefore, the amount of unrecovered gas costs may be greater for a fixed rate option customer. Therefore, we will retain the requirement in the proposed regulation that a separate reconciliation calculation be performed for the fixed rate option service.

We do not believe that the requirement for a separate reconciliation necessitates the creation of an additional migration rider. A fixed rate option customer may be required to remain under the fixed rate option for a twelve-month period. Any subsequent E-factor could be applied to the next year's fixed rate option customers. One annual E-factor would apply to all fixed rate option customers.

We recognize that requiring a fixed rate option customer to remain under this option for a twelve-month period certainly limits the customer's ability to switch to the NGDC's variable rate. However, the fixed rate option customers should not be limited in their ability to switch to the services of a competitive natural gas supplier. We believe that issues of switching among services and the implementation of additional migration riders may be more appropriately addressed in the section 1307(f) proceedings which established a fixed rate option for a NGDC.

**D. 52 Pa. Code § 53.69(c)**

**1. Position of the Parties**

This provision sets forth a time period during which a customer may elect to take service under a fixed rate option.

The PGA stated that if the fixed rate option is reconciled, a three-month sign up period is feasible. PGA Comments, p.2. The PGA noted that a change in service to a fixed rate option should take effect on a meter read date so that the customer will not be billed two different rates in a single billing period. The PGA stated that, if the fixed rate option was not reconciled, then an enrollment period could not exceed 30 days because any period longer than 30 days would expose the NGDC to an unacceptable level of risk associated with potential gas cost increases.

The IRRC requested that the Commission clarify this section and specified the timeframe for the enrollment in the Commission's final regulations. IRRC Comments, p.2.

**2. Resolution**

We are concerned that an annual enrollment period should be of sufficient length to allow consumers to make informed choices. However, the Commission realizes that the NGDCs may have some difficulty in proposing reasonable fixed price options if the enrollment periods are too long. In view of the fact that the Commission no longer considers the "no reconciliation" mechanism viable for a fixed rate option, the NGDCs would be exposed to a lesser level of risk. The Commission believes that to the greatest extent possible, the section 1307(f) process should be utilized for the implementation and reconciliation of a fixed rate option.

We appreciate the PGA's concerns over partial rate billings, the additional administrative costs in preparing such billings, and the inevitable customer confusion concerning the rates applicable for their service. Therefore, we will

consider a fixed rate option plan, which allows the initiation of service to coincide with the customer's first meter reading following the initiation of the new annual section 1307(f) rates.

We believe that the proposed 3-month enrollment timeframe is reasonable. Customers would begin service under the fixed rate option on the first day of the individual customer's billing cycle in which the annual section 1307(f) rate becomes effective.

## **E. Customer Application**

### **1. Position of the Parties**

The IRRC noted that section E of the August 13, 1999 Order included a list of particular items that could be included in the customer's application form for a fixed rate option. IRRC Comments, p.2. Section E, page 8, lists the following information that could be included on the application, at a minimum: 1) customer name, 2) account number; 3) address, 4) billing address, if different, 5) a clear description of the fixed rate option program, including what components of the bill will be fixed, 6) the price per unit and, 7) any other information deemed relevant to provide a clear understanding of the fixed rate option program offering. The IRRC recommended that these requirements should be included in a new proposed regulation.

### **2. Resolution**

We will decline to adopt the IRRC's recommendation. The information we listed in section E of the August 13, 1999 Order was very basic information. We believe that the details of any fixed rate option program can be addressed within each NGDC's section 1307(f) proceedings. This will give all interested parties an opportunity to comment on the specific elements of each individual fixed rate option program.

Accordingly, pursuant to Sections 501, 1301, 1307, and 1501 of the Public Utility Code, 66 PA. C.S. §§ 501, 1301, 1307, and 1501, and the Commonwealth Documents Law, 45 P.S. §§1201, et seq., and the regulations promulgated thereunder at 1 Pa. Code §§7.1-7.4, we propose to amend our regulations by adding Section 53.69, as noted above and as set forth in Annex A;

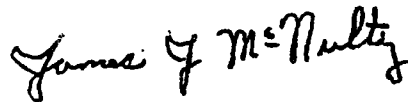
**THEREFORE,**

**IT IS ORDERED:**

1. That the Secretary shall submit this order and Annex A for review by the designated standing committees of the General Assembly, and for review by the Independent Regulatory Review Commission.
2. That the Secretary shall submit this order and Annex A to the Office of the Attorney General for review as to form and legality.
3. That the Secretary shall submit a copy of this order and Annex A to the Governor's Budget Office for review of fiscal impact.
4. That the Secretary shall duly certify this order and Annex A and deposit them with the Legislative Reference Bureau for publication in the Pennsylvania Bulletin. This regulation shall become effective upon final publication in the Pennsylvania Bulletin.

5. The contact persons for this matter are Robert Bennett, Fixed Utility Services, (717) 787-5553, bennetr@puc.state.pa.us, and Lawrence F. Barth, Assistant Counsel, Law Bureau, (717) 772-8579, barth@puc.state.pa.us. Alternate formats of this document are available to persons with disabilities and may be obtained by contacting Sherri DelBiondo, Regulatory Coordinator, Law Bureau, and (717) 772-4597.

BY THE COMMISSION,



James J. McNulty  
Secretary

(SEAL)

ORDER ADOPTED: May 11, 2000

ORDER ENTERED: **MAY 12 2000**

ANNEX A

TITLE 52. PUBLIC UTILITIES  
PART I. PUBLIC UTILITY COMMISSION  
Subpart C. FIXED SERVICE UTILITIES  
CHAPTER 53. TARIFFS FOR NONCOMMON CARRIERS  
RECOVERY OF FUEL COSTS BY GAS UTILITIES

**53.69 Fixed Rate Option**

(a) Components of the fixed rate option shall include all gas costs as defined in 66 Pa. C.S.A. 1307(g)(F). The natural gas distribution company may offer a fixed rate option to collect these costs OVER A 12-MONTH PERIOD, for either the heating season or for another time period which exceeds the heating season in duration, but in no event exceeds 12 months.

(b) Natural gas distribution companies adjusting rates for natural gas sales on a regular, less than quarterly but no more frequent than monthly, basis shall submit a separate reconciliation calculation of the fixed rate option service, consistent with the company's response to section 53.64(i) of the Commission's regulations. Such reconciliation shall present the fixed rate option sales, revenues and costs, separated from the reconciliation of other retail sales. The reconciliation period of fixed rate option sales shall be the same period used to reconcile the company's other retail sales as presented in compliance with Section 1307(f)(3).

(c) Eligible customers may sign up for the fixed rate option during the three month period which ends WHEN THE ANNUAL SECTION 1307 (F) RATES BECOME EFFECTIVE, on the first day of the twelve month fixed rate option contract period. SERVICE UNDER THE FIXED RATE OPTION STARTS ON THE FIRST DAY OF THE CUSTOMER'S BILLING CYCLE

**IN WHICH THE ANNUAL SECTION 1307 (F) RATES BECOME  
EFFECTIVE.**

(d) The Commission's rules and regulations contained in 52 Pa.  
Code Chapter 56 are applicable to all fixed rate option sales to residential  
customers.



PENNSYLVANIA PUBLIC UTILITY COMMISSION  
COMMONWEALTH OF PENNSYLVANIA

JOHN M. QUAIN  
CHAIRMAN

May 17, 2000

The Honorable John R. McGinley, Jr.  
Chairman  
Independent Regulatory Review Commission  
14th Floor, Harrisstown II  
333 Market Street  
Harrisburg, PA 17101

Re: L-990143/57-207  
Final Rulemaking  
Requirements for Natural Gas Distribution  
Companies pursuant to Section 1307(f) of  
Title 66 regarding Recovery of Natural  
Gas Costs and the Fixed Rate Option  
52 Pa. Code Chapter 53

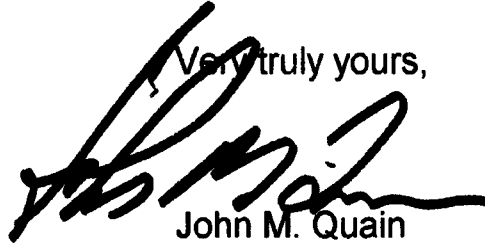
Dear Chairman McGinley:

Enclosed please find one (1) copy of the regulatory documents concerning the above-captioned rulemaking. Under Section 745.5(a) of the Regulatory Review Act, the Act of June 30, 1989 (P.L. 73, No. 19) (71 P.S. §§745.1-745.15) the Commission, on December 21, 1999, submitted a copy of the Notice of Proposed Rulemaking to the House Committee on Consumer Affairs, the Senate Committee on Consumer Protection and Professional Licensure and to the Independent Regulatory Review Commission (IRRC). This notice was published at 30 Pa.B. 37, on January 1, 2000. In compliance with Section 745.5(b.1) copies of all comments received were provided to your Commission and the Committees.



In preparing this final form rulemaking, the Public Utility Commission has considered all comments received from the Committees, IRRC and the public.

Very truly yours,

A handwritten signature in black ink, appearing to read 'John M. Quain', written over the typed name.

John M. Quain  
Chairman

**Enclosures**

cc: The Honorable Clarence D. Bell  
The Honorable Lisa Boscola  
The Honorable Chris R. Wogan  
The Honorable Keith McCall  
Legislative Affairs Director Perry  
Chief Counsel Pankiw  
Regulatory Coordinator DelBiondo  
Assistant Counsel Barth  
Mr. Bennett  
Mr. Zogby

TRANSMITTAL SHEET FOR REGULATIONS SUBJECT  
TO THE REGULATORY REVIEW ACT

RECEIVED

2000 MAY 17 PH 2:23

ID Number: L-00990143/57-207

INDEPENDENT REGULATORY  
REVIEW COMMISSION

Subject: Requirements for Natural Gas Distribution Companies  
pursuant to Section 1307(f) of Title 66 regarding  
Recovery of Natural Gas Costs and the Fixed Rate  
Option

Pennsylvania Public Utility Commission

TYPE OF REGULATION

- \_\_\_\_\_ Proposed Regulation
- \_\_\_\_\_ Final Regulation with Notice of Proposed Rulemaking  
Omitted.
- X  Final Regulation
- \_\_\_\_\_ 120-day Emergency Certification of the Attorney  
General
- \_\_\_\_\_ 120-day Emergency Certification of the Governor

FILING OF REPORT

Date	Signature	Designation
<u>5/17/00</u>	<u>[Signature]</u>	<u>HOUSE COMMITTEE</u> Consumer Affairs
<u>MAY 17 2000</u>	<u>[Signature]</u>	<u>SENATE COMMITTEE</u> Consumer Protection and Professional Licensure
<u>5-17-00</u>	<u>Jessica Vaillancourt</u>	<u>Independent Regulatory Review Commission</u> Attorney General
_____	_____	Legislative Reference Bureau