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INDEPENDENT REGULATORY
REVIEW COMMISSION

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December 1, 2009

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

RE: Proposed Rulemaking: Natural Gas Distribution Company Business Practices; 52 Pa. Code §§ 62.181-62.185 – Docket No. L-2009-2069117

SEARCH Final Order and Action Plan for Increasing Effective Competition in Pennsylvania's Retail Natural Gas Supply Services Market – Docket No. I-00040103F0002

Dear Mr. McNulty:

Pursuant to Ordering Paragraph 5 of the Proposed Rulemaking Order in the referenced matter, I enclosed for filing the original and fifteen (15) copies of Columbia Gas of Pennsylvania, Inc.'s Comments.

I have enclosed an additional copy of Columbia's Comments. Please file stamp the additional copy and return it to me in the enclosed self-addressed, stamped envelope.

If you have any questions, 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

cc (via e-mail): Patricia Krise Burket
Annunciata Marino
Cyndi Page

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DEC 01 2009

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DEC 01 2009

INDEPENDENT REGULATORY
REVIEW COMMISSION

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Proposed Rulemaking: Natural Gas :
Distribution Company Business Practices; : **Docket No. L-2009-2069117**
52 Pa. Code §§ 62.181-62.185 :

SEARCH Final Order and Action Plan for :
Increasing Effective Competition in : **Docket No. I-00040103F0002**
Pennsylvania's Retail Natural Gas Supply :
Services Market :

**COMMENTS OF COLUMBIA GAS OF PENNSYLVANIA, INC.
TO PROPOSED RULEMAKING ORDER**

A. INTRODUCTION

On May 1, 2009, the Commission issued a Proposed Rulemaking Order in the above-captioned proceeding. Therein, the Commission proposed to adopt regulations governing the relationships between natural gas distribution companies ("NGDCs") and natural gas suppliers ("NGSs"). As proposed, the new regulations would require each NGDC to file a customer choice system operations plan, which would include: (1) a standard supplier coordination tariff that complies with the new regulations; (2) business practices and standards that comply with the new regulations; (3) communications standards that comply with the new regulations; and (4) copies of standard agreements, forms or contracts that will be used by the NGS. The proposed regulations provide for NGDC recovery of reasonable costs, prudently incurred, that are attributable to the promotion of natural gas competition within the Commonwealth. On October 17, 2009, the Proposed Rulemaking Order was published in the *Pennsylvania Bulletin*. The Commission directed comments on the Proposed Rulemaking Order to be submitted within 45 days of publication in the *Pennsylvania Bulletin*.

Columbia Gas of Pennsylvania, Inc. ("Columbia"), by and through its attorneys, submits its comments in response to the Commission's Proposed Rulemaking Order and Annex A attached thereto. At the outset, Columbia commends to the Commission's attention and consideration the Comments submitted by the Energy Association of Pennsylvania ("EAPA"), particularly EAPA's discussion of issues not addressed herein. In addition to the EAPA's Comments on those issues, Columbia submits its own Comments in order to highlight issues that will significantly impact programs and practices already in place around which CHOICE functions in the Columbia territory. In addition to the Comments offered herein, Columbia submits for the Commission's consideration its Exhibit 1, attached hereto, which illustrate Columbia's suggested changes to the proposed regulations.

B. BACKGROUND

Columbia is a certified NGDC, providing natural gas supply service and natural gas distribution service to approximately 413,000 customers in 26 counties in western, central, and south-central Pennsylvania, subject to the Commission's regulatory jurisdiction. Columbia has a long-standing CHOICE program,¹ 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 program following the adoption of Pennsylvania's Natural Gas Choice and Competition Act, 66 Pa.C.S. §§ 2201-2212 (the "Choice Act").²

The Rules Applicable to Distribution Service ("RADS") included in Columbia's current tariff were developed as a result of a collaborative group negotiation that included marketers and other interested parties. Columbia successfully negotiated RADS and current residential and small commercial programs prior to this formal rulemaking. The

¹ 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.

² See *Re: Columbia Gas of Pennsylvania, Inc.*, Docket No. R-00994781, 93 PA. P.U.C. 375 (Order entered October 18, 1999).

group entered into a settlement and Columbia filed that settlement with the RADS on February 15, 2000 with an effective date of February 16, 2000.

In the Commission's October 2005 *Report to the General Assembly*, the Commission found that ineffective competition existed in Pennsylvania's retail natural gas market. (Docket No. I-00040103). The Commission cited lack of uniformity in NGDC business practices, operating rules, and supplier tariffs as possible barriers to supplier entry and participation.

Based on its findings, the Commission formed a collaborative, Stakeholders Exploring Avenues to Reduce Competition Hurdles ("SEARCH"), to discuss ways to increase competition. The Commission adopted the suggestion made in the SEARCH Report³ to standardize business practices, and directed this proposed rulemaking be initiated.

C. COMMENTS

1. General Comments

While Columbia understands the Commission's desire to standardize communication protocols and business practices throughout Pennsylvania, Columbia suggests that we must not lose sight of the fact that standardization is merely a means to an end rather than the end itself. In other words, a standardized protocol is no better than the status quo if it reduces CHOICE participation or if it is too difficult, costly or unwieldy for NGSs and/or NGDCs to implement. Any standardized protocol should be proven and time-tested. Columbia notes that it, along with several affiliated NGDCs, has long-term experience operating successful CHOICE programs in several states and, as of the writing of these comments, none of the other nine NGDC's in Pennsylvania have more NGSs participating in their Choice program than the eight NGSs providing service

³ The *SEARCH Report*, drafted by the Commission, is an overview of the SEARCH discussions and findings. The *SEARCH Report* was released as a companion to the September 11, 2008, *SEARCH Final Order and Action Plan*, Docket No. I-00040103F0002.

under Columbia's CHOICE program.⁴ Furthermore, the information contained in the November, 2009 Pennsylvania Office of Consumer Advocate's Residential Consumers Shopping Guide, indicates that one NGDC has two active NGSs, three NGDCs have one active NGS and five NGDCs have no NGSs active in the residential choice market. Columbia suggests that the Commission consider the success of Columbia's CHOICE program, the number of NGSs that are already familiar with Columbia's standardized protocols and the impact on them when considering changes to the status quo.

Moreover, some of the NGSs providing service in Pennsylvania also provide service in other jurisdictions where Columbia offers CHOICE programs. Changing existing protocols in Pennsylvania may force both NGSs and Columbia to adopt different practices in different states, which will increase complexity and increase costs to customers. Columbia's CHOICE program is managed as a shared function by Columbia's affiliated service corporation. Such sharing inures to the benefit of Columbia's customers from an allocated portion of the costs associated with such functions, rather than having to shoulder the costs on a stand-alone basis. This shared function has also resulted in many standardized practices which are familiar to the NGSs operating in multiple states. From an NGS's perspective, Columbia is concerned that changing protocols in Pennsylvania may make it more difficult or costly for them to provide service here because they may need to change to a set of practices for Pennsylvania that differs from practices they will continue to employ for other states. From Columbia's perspective, its customers would see increased costs to implement these changes since Columbia would need to implement the standardized protocols on a stand-alone basis.

Columbia recommends that the provisions of this proposed regulation apply only to transactions and interactions between the NGDCs and NGSs relative to sales to residential and small commercial customers, or those participating in Columbia's CHOICE program. Since 1984, Columbia has been providing General Distribution

⁴ <http://www.puc.state.pa.us/utilitychoice/listofsupp.aspx?ut=nc&ShowSupp=12>. The Commission's website reflects five active NGSs, but Columbia currently has eight actively participating NGSs. In addition, Columbia has NGSs pending both Columbia and Commission approval to join its system.

Service (“GDS”) to its larger industrial and commercial customers, while it was not until 1996 that Columbia initiated its CHOICE program for residential and small commercial customers. As a result of this historical framework, and due to the inherent differences between the two types of customers served, there are minimal similarities in the programming, administration and design of the two programs. Columbia’s GDS market is mature and efficient. Including GDS transactions under these proposed regulations would be counterproductive. Changes to the underlying administrative systems supporting GDS transactions will result in unnecessary costs being borne by the GDS customers who have nothing to gain by the changes.

In order to promote common agreement and understanding in the application of the regulations, Columbia proposes, where appropriate, that standard industry definitions be adopted. As such, as an alternative to definitions in the proposed regulations, Columbia suggests the substitution of American Gas Association (“AGA”) definitions where such definitions exist. To that end, Columbia has incorporated AGA definitions in its specific comments (Section C. 2, below) and in Exhibit 1, hereto. In many instances Columbia has modified the AGA definition, or the definition as proposed, in an effort to tailor the definition to the relationship that is addressed in the proposed regulations – one between an NGDC and an NGS. Where an AGA definition is lacking, or could not be modified for the purpose of the proposed regulations, in its specific comments and Exhibit 1 Columbia has suggested North American Energy Standards Board (“NAESB”) definitions, when available.

Columbia fully supports the proposal to allow timely recovery of the costs to implement changes to systems, standards and practices as required by the regulations ultimately adopted as a result of this Proposed Rulemaking. It is equitable and appropriate to allow NGDCs to recover the implementation costs that will be incurred since the benefits of those changes will accrue not to the NGDCs, but to the participants in the unregulated gas supply market – the eligible residential and small commercial customers and the NGSs. Additionally, Columbia supports the use of a 1307(e) mechanism to accomplish that recovery, but objects to the direction that the filing of the

mechanism be incorporated into the NGDC's annual 1307(f) purchased gas cost ("PGC") filings. The proceedings designed for the specific purpose of the submission and approval of PGCs should not be expanded to include non-commodity related issues and associated cost recovery mechanisms. The likely result of confusion from such a combination of unrelated issues may diminish the potential for settlement of those proceedings. Columbia has been successful in achieving settlement of its PGC cases in most years in the past decade. Columbia agrees with the Commission that settlements eliminate the time, effort and expense of fully litigating contested on-the-record proceedings, the benefits of which accrue not only to the utility, but to the Commission and utility's ratepayers, as well.

2. Specific Comments

Columbia's section-specific comments can be found immediately following each of Columbia's suggested edits to Annex A of the proposed rulemaking, shown below as tracked changes. Columbia's Exhibit 1 to these Comments represents a clean copy of the proposed regulations as they would read with Columbia's suggested changes.

COLUMBIA GAS OF PENNSYLVANIA'S TRACKED CHANGES

ANNEX A

PART I. PUBLIC UTILITY COMMISSION
Subpart C. FIXED SERVICE UTILITIES
CHAPTER 62. NATURAL GAS SUPPLY CUSTOMER CHOICE
Subchapter F. NATURAL GAS DISTRIBUTION COMPANY
BUSINESS PRACTICES

§ 62.181. General.

The use of a common set of business practices, including standard supplier tariffs, facilitates the participation of NGSs in the retail market, reduces the potential for

mistakes or misunderstandings between NGSs and NGDCs, and increases efficiency in industry operations. This subchapter requires NGDCs to implement a standard supplier coordination tariff, business practices and communication standards and formats for NGSs desiring to or currently providing service to residential and small commercial customers as directed by the Commission. NGDCs are authorized to recover reasonable and prudently incurred costs of implementing and promoting natural gas competition in the Commonwealth.

Columbia Comments: *Columbia suggests the language “to residential and small commercial customers” in an effort to tailor the proposed regulation to choice programs, rather than all categories of natural gas distribution service. Columbia suggests this change consistently throughout the regulations, but only specifically mentions it here.*

§ 62.182. Definitions.

The following words and terms, when used in this subchapter, have the following meanings, unless the context clearly indicates otherwise:

Asset management – A function of the system operations of a NGDC relative to daily NGS and pipeline interactions relating to nominations, capacity, storage, delivery, balancing, reconciliation, penalties, and forecasts of ~~and~~ customer requirements, to assure safe, reliable natural gas service to the end user.

Columbia Comments: *Columbia suggests that this modification more appropriately describes the daily interactions between the NGDC and NGS.*

Balancing - The activity of equalizing receipts and deliveries of gas with withdrawals from an NGDC. ~~The act of equalizing receipts and deliveries of gas into or withdrawals from an interstate gas pipeline or a NGDC's distribution system. Balancing may be accomplished daily, monthly or seasonally, with fees or penalties generally assessed for excessive imbalances.~~

Columbia Comments: *Columbia suggests that broader language will allow the NGDC to utilize the specific balancing parameters that best support its system and interaction with NGSs.*

Business practices - The policies and procedures including electronic file formats ~~use of a common set of formats~~, definitions and standards established by an NGDC relating to business operations between an NGDC and NGSs providing natural gas supply service to residential and small commercial customers on the NGDC's system.

Columbia Comments: *Columbia suggests that Columbia's well-established business practices have been successful in implementing RADS and, therefore, Columbia should be allowed to continue with such practices.*

Capacity - The maximum quantity of natural gas that can be delivered to and distributed by an NGDC ~~produced, transported, stored, distributed, or used in a given period of time~~ under specified conditions.

Columbia Comments: *Columbia suggests that, the proposed definition in this rulemaking at 62.185(c)(3)(v) is too broad and is more appropriately defined in a narrower context to accurately describe the actions between NGDCs and NGSs.*

Cash out - A monetary exchange for the difference between gas delivered and gas consumed for a specified time period. ~~A generic term used to describe the corrective measures taken when a NGS's imbalance of natural gas supply in the system exceeds the prescribed tolerance.~~

Columbia Comments: *Columbia suggests that the proposed definition is too generic and leaves out the financial reference. Columbia bases this suggested definition after reviewing the AGA's definition of "cashout provisions".*

City gate ~~--The site where a NGDC receives and measures gas from a pipeline company.~~

Columbia Comments: *Columbia suggests that this term be deleted because it is not used in the proposed regulation.*

~~*Electronic bulletin board* - A computer system that provides current natural gas information on nominations, interruptions, rates and other items.~~

Columbia Comments: *Columbia recommends this definition be deleted as it is only used one time in the proposed regulations. Please see Columbia's Comments to 185(d)(2) for specific comments referring to the use of this term.*

~~*Daily Price Index* - An index price for daily natural gas purchases as published by an index provider that has met applicable federal requirements to have a particular price index location used in a FERC jurisdictional tariff. *Gas daily average* - Index price for natural gas as published daily by *Platts Gas Daily*.~~

Columbia Comments: *Columbia submits that the proposed definition is too restrictive, and suggests that the Commission adopt terminology that is employed by the FERC. Many NGDCs are already required to report their volumes purchased and sold at rates using FERC approved published price indices on FERC Form 552. Therefore, Columbia offers the term "daily price index". Since many sources exist with the same information, and NGDCs already have company specific methods for retrieving and implementing the index price for natural gas, restricting the source where NGDCs read the index may unnecessarily increase costs for NGDCs. Such cost increases include both licensing costs and administrative and technical costs.*

~~*Imbalance* - The difference between NGS gas deliveries and consumption of their customer group or groups. When a NGS receives or delivers a quantity of natural gas, then delivers or redelivers a larger or smaller quantity of natural gas to another party.~~

Columbia Comments: *Columbia's suggested revision to the proposed definition adds clarification and uniformity to the proposed regulations by describing what an imbalance is rather than describing the situation of the parties.*

~~*Intraday nomination cycle* - Under NAESB pipeline industry standards, one of two nomination cycles that permit a nomination to be made on the day of gas flow.~~

Columbia Comments: *Columbia suggests that since the NAESB refers to an "intraday nomination" rather than an "intraday cycle", the proposed definition be changed as noted above.*

NAESB – North American Energy Standards Board - NAESB is a non profit standards development organization which develops business practice standards and communications and e-commerce protocols for the wholesale and retail natural gas and electric industries.

Columbia Comments: *Columbia suggests that the NAESB is a standards development organization for both the gas and electric industries and should be defined as such.*

NGDC - Natural gas distribution company - A natural gas distribution company as defined in 66 Pa.C.S. § 2202 (relating to definitions).

NGS - Natural gas supplier - A supplier as defined by 66 Pa.C.S. § 2202.

Nominations - A documented request submitted by an NGS for the physical transportation of a specified quantity of gas during a specified period of time. ~~A precise listing of the quantities of gas to be transported during any specified time period. A nomination includes all custody transfer entities, locations, compressor fueled and other volumetric assessments, and the precise routing of gas through the pipeline network. Nominations often create contract rights and liabilities.~~

Columbia Comments: *Columbia's suggested modification more appropriately aligns this definition with the AGA definition to describe the interaction between NGDCs and NGSs. Columbia disputes that the definition as proposed encompasses more than its Choice program.*

OFO - Operational flow order – An order issued by a NGDC as defined at 52 Pa. Code § 69.11 (relating to definitions).

PGC – Purchased gas cost -- ~~Natural gas costs which are collected, with adjustments, by NGDCs from their customers pursuant to 66 Pa.C.S. § 1307 (relating to sliding scale of rates; adjustments).~~

Columbia Comments: *Columbia recommends this definition be deleted as it does not appear in Columbia's suggested revisions to the proposed regulations. Please see Columbia's Comments to 184(d)(2) for specific comments referring to the use of this term.*

SCT - Supplier coordination tariff - ~~The formal Commission-approved NGDC rules and regulations including business practices of a NGDC for applicable to NGSs providing NGS service to their residential and small commercial customers on the NGDC's system. It contains a compilation of all of the effective rate schedules of a particular company and the general terms and conditions of service.~~

Columbia Comments: *Columbia submits that its suggested modification clarifies the objective of a SCT. Additionally, since the SCT will be a part of the utilities' overall tariff, Columbia suggests that the second sentence is redundant and should, accordingly, be deleted.*

Storage - ~~The utilization of subsurface facilities for storing gas which has been transferred from its original location for the primary purposes of load balancing. Storing gas that has been transferred from its original location in underground reservoirs. Gas is usually stored in the summer for winter delivery reducing peak winter pipeline requirements. Storage can be in either the market or producing areas.~~

Columbia Comments: *Columbia suggests replacing the proposed language with a portion of the AGA's definition for clarification purposes and uniformity.*

Timely cycle – Under NAESB pipeline standards, the initial nomination cycle where a nomination is due 12:30 p.m. CCT prior to the day of gas flow.

Columbia Comments: *Columbia suggests designating a specific time zone for clarification purposes.*

Tolerance band - ~~A range of acceptable values for the measured difference between the gas volume that is nominated to be delivered in a certain time frame and the gas volume that is delivered during that time frame by a NGS.~~

Columbia Comments: Columbia recommends that this definition be eliminated because it does not apply to the residential and small commercial customer programs that these proposed regulations are designed to govern.

Uniform electronic transactions - A NGDC's standard data arrangements for trading information, making business requests and exchanging other information, encompassing a number of electronic media and utilizing specified transport protocols. Standard formats that allow all parties to develop the business process and automated systems needed to facilitate the exchange of business information in the Pennsylvania energy industry.

Columbia Comments: Columbia suggests that this proposed modification more appropriately describes the daily interactions between NGDCs and NGSs. The Commission proposed definition, unlike the established AGA definitions on this topic, specifies that all utilities must use the same format and protocols. Therefore, in the interest of uniformity, and in the interest of using consistent, established definitions, Columbia recommends using the NAESB definition, with the addition of "NGDC's" at the beginning of the definition.

§ 62.183. NGDC customer choice system operations plan.

(a) In order to comply with the provisions of this subchapter, an A NGDC shall file a customer choice system operations plan applicable to NGSs desiring to provide or currently providing natural gas service to residential and small commercial customers ~~for Commission review in order to comply with the provisions of this subchapter.~~

(b) The NGDC shall serve copies of the plan on the Office of Consumer Advocate, the Office of Small Business Advocate, and NGSs providing service to residential and small commercial customers registered in the NGDC's service territory. Copies of the plan shall be provided upon request and shall be made available to the public on the NGDC's website.

(c) A customer choice system operations plan shall include the following elements:

(1) An SCT that complies with the provisions of this subchapter.

(2) Business practices and standards that comply with the provisions of this subchapter.

(3) Communication standards that comply with the provisions of this subchapter.

(4) Copies of standard agreements, forms or contracts that ~~will be used by~~ NGSS will be required to use in order to provide service to residential and small commercial customers in the NGDC's service territory.

Columbia Comments: *In a previous Final Order and Action Plan (Docket No. I-00040103F0002), the Commission ordered NGDCs to have capacity meetings for all suppliers "registered" to provide service on their systems. At that time, the Commission lacked accurate NGS information because of many outdated contact names and addresses, resulting in undeliverable notification and unnecessary NGDC expense. Columbia's suggested changes to this proposed definition ensure that the active NGSS receive actual notification and, at the same time, provides information to other NGSS who are registered or want to become registered on Columbia's system.*

§ 62.184. NGDC cost recovery.

(a) ~~As part of its next annual filing pursuant to 66 Pa.C.S. § 1307(f), a n~~ NGDC may file include a proposed tariff rider to establish a nonbypassable reconcilable surcharge ~~filed within the requirements of 66 Pa.C.S. § 1307~~ designed to recover the reasonable and prudently incurred costs of implementing and promoting natural gas competition for residential and small commercial customers within the Commonwealth.

(b) The surcharge shall be calculated annually and adjusted to account for past over- or under-collections ~~in conjunction with the 1307(f) process to become effective with new PGC rates.~~

(c) The surcharge shall be recovered on a per unit basis on each unit of commodity which is sold or transported to eligible residential or small commercial customers over its distribution system ~~without regard to the customer class of the end user.~~

(d) Before instituting the surcharge, a NGDC shall remove ~~the any~~ amounts attributable to promoting retail competition from its base rates. This may be done through a 66

Pa.C.S. § 1308 (relating to voluntary changes in rates) rate case filed not less than 5 years after first seeking recovery through a ~~66 Pa.C.S. § 1307 nonbypassable mechanism~~.

(e) Until a NGDC which seeks a ~~nonbypassable~~ recovery of its costs of promoting retail competition files a base rate case under 66 Pa.C.S. § 1308(d)(relating to general rate increases), the NGDC shall eliminate the effect of recovery of these costs in base rates though the filing of a credit to its base rates equal to the amount in base rates. This may be accomplished through the use of a revenue neutral adjustment clause that would credit base rates for the costs associated with promoting retail competition to residential and small commercial customers that are currently reflected in base rates. Costs would be fully recoverable through a ~~nonbypassable~~ reconcilable surcharge billed to participating residential and small commercial customers and NGSs. The adjustment clause would be established through the filing of a fully allocated cost of service study and a proposed tariff rider ~~in the NGDC's proceeding under 66 Pa.C.S. § 1307(f)~~. The credit and surcharge shall be adjusted not less than annually ~~through the 66 Pa.C.S. § 1307(f) process~~.

(f) The revenue neutral adjustment clause rider shall remain in effect until establishment of new base rates under 66 Pa.C.S. § 1308(d) which include a fully allocated cost of service study to remove these costs from base rates.

(g) The surcharge shall be subject to audit.

Columbia Comments: *While Columbia strongly supports recovery of reasonable and prudently incurred costs of implementing the proposed regulations, Columbia also recognizes that the costs associated with the implementation of these regulations is not defined as a gas cost in Pa. C.S. § 1307(h). Since, 1307(f) proceedings are specifically designed for gas cost related issues, Columbia recommends removing such references. Additionally, since the regulations should be applicable to NGS service for residential and small commercial customers, any surcharge should only apply to customers participating in such service or NGSs supplying such service.*

§ 62.185. Supplier coordination tariff, business practices and standards for service provided by NGSs to residential and small commercial customers.

(a) *General.* The Commission may adopt best business practices and standards that will facilitate supplier participation in the residential and small commercial retail natural gas market and will direct NGDCs and NGSs to comply with the practices and standards. NAESB standards and model agreements that are determined to be cost-effective and which remove market barriers for supplier participation will be considered for adoption.

(b) *Supplier coordination tariff.* The Commission may establish a standard SCT and ~~will may direct that~~ a NGDC to implement a SCT that generally conforms to the standard SCT to the extent possible based on the limitations and design of the NGDC's distribution system and operations. The standard SCT may be revised in accordance with Commission orders, policies and regulations. The current version of the standard SCT will be made available on the Commission website.

(1) A NGDC shall implement a SCT based on a standard format SCT that is consistent with its customer choice system operations plan for NGSs desiring to serve or currently serving residential and small commercial customers.

(2) The NGDC shall file a SCT in accordance with Commission orders, policies and regulations. When the NGDC has an existing SCT, the NGDC shall file a tariff supplement.

(3) The NGDC's current supplier tariff or supplement shall remain in effect until the Commission approves a SCT or tariff supplement filed in compliance with this section.

(c) *Business practices and standards.* The Commission may establish best business practices and standards as necessary to implement the Act, and may direct their implementation by NGDCs and NGSs.

(1) A NGDC's implementation of business practices and standards shall be consistent with its customer choice system operations plan for residential and small commercial customers.

(2) A NGDC's business practices and the process by which they are adopted may not undermine existing regulatory negotiated settlements approved by the Commission

with NGSs, may not compromise the safety, efficiency, security and reliability of system operations, and may not be unduly discriminatory.

(3) A NGDC shall implement the following standards:

~~(i) *Imbalance trading.* A NGDC shall facilitate NGS imbalance trading. A NGS's customers' natural gas usage shall be balanced against NGS deliveries on the same monthly schedule. For computational purposes relating to balancing, a NGDC shall eliminate separate pooling for a NGS's interruptible customers so they are deemed to be in the same operating pool.~~

~~—————(ii) *Tolerance bands.* A tolerance band shall provide for a deviation in the volume of gas delivered of no less than 10 % of the volume nominated by the NGS, thus establishing a tolerance band that spans 90% to 110 % of the volume of gas nominated.~~

~~—————(iii) *Cash out and penalties.* A NGDC shall cash out NGS imbalances that fall within the 10 % tolerance band at 100% of the gas daily average at the applicable index for the pool level. Outside the 10% tolerance band, a multiplier of 110% for under-deliveries and 90% for over deliveries shall apply, except during periods of gas shortage requiring the issuance of an OFO to protect the safe and reliable operation of the NGDC system at a rate established by the NGDC. NGSs are subject to penalties associated with OFOs and failure to deliver as established in the NGDC tariff.~~

~~(iiv) *Nominations.* A NGDC shall support all four NAESB nominations cycles and shall support the timely cycle and at least one intraday cycle.~~

~~(iiiv) *Capacity.* A NGDC shall provide full access to pipeline and storage capacity and will support daily nominations and delivery requirements that reflect current pool consumption conditions.~~

(d) *Communication standards and formats.* The Commission may establish electronic data communication standards and formats that have been developed by a working group consisting of interested NGSs who are currently serving residential and small commercial customers in Pennsylvania and NGDCs and may direct their implementation by NGDCs and NGSs. Standards and formats may be implemented for nominations and delivery requirements and customer enrollment, usage and billing and payments.

(1) A NGDC shall be responsible for NGS testing and certification in regard to approved electronic data communication standards and formats.

(2) The Commission may, subject to notice and an opportunity to be heard, direct a NGDC to install and upgrade a billing system, ~~electronic bulletin board~~, software and other communication or data transmission equipment and facilities to implement established electronic data communications standards and formats; provided that the Commission concurrently provides timely and full recovery of all costs incurred by an NGDC in complying with such directive.

(3) Communication standards and formats shall be revised in accordance with Commission orders, policies and regulations.

Columbia Comments:

Addressing § 62.185(b), Columbia suggests that because each NGDC's system-specific attributes need to be taken into account when the NGDCs formulate their SCTs, the language in this subsection should recognize such system specific attributes and provide room for NGDCs to tailor their SCTs to address such individual attributes. Columbia also recognizes that in the interest of consistency, the SCTs must apply to NGSS currently serving and those desiring to serve.

Addressing § 63.185(c), Columbia recommends that the preservation of negotiated regulatory settlements already approved by this Commission should be explicitly provided for in this subsection.

Columbia further suggests that "imbalance trading" and "tolerance band" should be deleted. Both terms define issues that are not residential and small commercial issues since existing programs are based on a daily delivery requirement.

Addressing (c)(ii) "nominations", the proposed regulation is contradictory as it stands because, by their nature, the four NAESB cycles include the timely cycle and at least one intraday cycle. Columbia recommends the suggested changes to clarify the nominations standard.

Addressing (c)(iii) "capacity", Columbia further offers that programs that provide for significant bank levels in excess of what a monthly tolerance band provides are defacto access to storage and those programs which have existed for years should be grandfathered. These types of programs were often designed in recognition of highly complex delivery requirements from multiple pipelines at multiple locations and by their

very nature provided a degree of simplification that have enhanced NGS involvement from the very beginning of the programs.

Addressing (d), Columbia recommends that the stakeholders develop the electronic data communication standards and formats since they are directly related to how NGDCs and NGSs interact on their respective systems. Additionally, since this is the only instance where the term "electronic bulletin board" appears in the regulation, Columbia suggests removing this term from the proposed regulation because such term is unnecessary in light of the rest of the subsection.

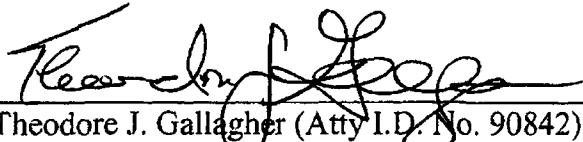
D. CONCLUSION

As discussed above, Columbia respectfully submits that the proposed regulations under consideration should be amended so that SCTs can be tailored to reflect differences in the NGDCs' administrative and operating programs. Moreover, the proposed regulations should explicitly apply to service provided only to residential and small commercial customers. Additionally, the proposed regulations should be uniform in their concepts by adopting readily used definitions, and should provide for timely recovery of the costs to implement any changes separate from 1307(f) proceedings. Columbia points out that it has been a frontrunner in promoting customer access to competitive supply by successfully implemented changes to its tariff through negotiations with NGSs and other interested parties outside of the context of a formal rulemaking. Again, Columbia endorses and commends to the Commission's attention the Comments submitted in this matter by the EAPA.

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Respectfully submitted,

COLUMBIA GAS OF PENNSYLVANIA, INC.

By: 
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Its Attorney

Date: December 1, 2009

COLUMBIA GAS OF PENNSYLVANIA'S CHANGES TO

ANNEX A

PART I. PUBLIC UTILITY COMMISSION
Subpart C. FIXED SERVICE UTILITIES
CHAPTER 62. NATURAL GAS SUPPLY CUSTOMER CHOICE
Subchapter F. NATURAL GAS DISTRIBUTION COMPANY
BUSINESS PRACTICES

§ 62.181. General.

The use of a common set of business practices, including standard supplier tariffs, facilitates the participation of NGSs in the retail market, reduces the potential for mistakes or misunderstandings between NGSs and NGDCs, and increases efficiency in industry operations. This subchapter requires NGDCs to implement a standard supplier coordination tariff, business practices and communication standards and formats for NGSs desiring to or currently providing service to residential and small commercial customers as directed by the Commission. NGDCs are authorized to recover reasonable and prudently incurred costs of implementing and promoting natural gas competition in the Commonwealth.

§ 62.182. Definitions.

The following words and terms, when used in this subchapter, have the following meanings, unless the context clearly indicates otherwise:

Asset management – A function of the system operations of a NGDC relative to daily NGS and pipeline interactions relating to nominations, capacity, storage, delivery, balancing, reconciliation, penalties, and forecasts of customer requirements, to assure safe, reliable natural gas service to the end user.

Balancing - The activity of equalizing receipts and deliveries of gas with withdrawals from an NGDC.

Business practices - The policies and procedures including electronic file formats, definitions and standards established by an NGDC relating to business operations between an NGDC and NGSs providing natural gas supply service to residential and small commercial customers on the NGDC's system.

Capacity - The maximum quantity of natural gas that can be delivered to and distributed by an NGDC in a given time under specific conditions.

Cash out - A monetary exchange for the difference between gas delivered and gas consumed for a specified time period.

Daily Price Index - An index price for daily natural gas purchases as published by an index provider that has met applicable federal requirements to have a particular price index location used in a FERC jurisdictional tariff.

Imbalance - The difference between NGS gas deliveries and consumption of their customer group or groups.

Intraday nomination - Under NAESB pipeline industry standards, one of two nomination cycles that permit a nomination to be made on the day of gas flow.

NAESB - North American Energy Standards Board - NAESB is a non profit standards development organization which develops business practice standards and communications and e-commerce protocols for the wholesale and retail natural gas and electric industries.

NGDC - Natural gas distribution company - A natural gas distribution company as defined in 66 Pa.C.S. § 2202 (relating to definitions).

NGS - Natural gas supplier - A supplier as defined by 66 Pa.C.S. § 2202.

Nomination - A documented request submitted by an NGS for the physical transportation of a specified quantity of gas during a specified period of time.

OFO - Operational flow order - An order issued by a NGDC as defined at 52 Pa. Code § 69.11 (relating to definitions).

SCT - Supplier coordination tariff - The Commission-approved NGDC rules and regulations including business practices applicable to NGSs providing service to their residential and small commercial customers on the NGDC's system.

Storage - The utilization of subsurface facilities for storing gas which has been transferred from its original location for the primary purposes of load balancing.

Timely cycle - Under NAESB pipeline standards, the initial nomination cycle where a nomination is due 12:30 p.m. CCT prior to the day of gas flow.

Uniform electronic transactions - A NGDC's standard data arrangements for trading information, making business requests and exchanging other information, encompassing a number of electronic media and utilizing specified transport protocols.

§ 62.183. NGDC customer choice system operations plan.

(a) In order to comply with the provisions of this subchapter, a NGDC shall file a customer choice system operations plan applicable to NGSs desiring to provide or currently providing natural gas service to residential and small commercial customers.

(b) The NGDC shall serve copies of the plan on the Office of Consumer Advocate, the Office of Small Business Advocate, and NGSs providing service to residential and small

commercial customers in the NGDC's service territory. Copies of the plan shall be provided upon request and shall be made available to the public on the NGDC's website.

(c) A customer choice system operations plan shall include the following elements:

- (1) A SCT that complies with the provisions of this subchapter.
- (2) Business practices and standards that comply with the provisions of this subchapter.
- (3) Communication standards that comply with the provisions of this subchapter.
- (4) Copies of standard agreements, forms or contracts that NGSs will be required to use in order to provide service to residential and small commercial customers in the NGDC's service territory.

§ 62.184. NGDC cost recovery.

(a) An NGDC may file a proposed tariff rider to establish a nonbypassable reconcilable surcharge designed to recover the reasonable and prudently incurred costs of implementing and promoting natural gas competition for residential and small commercial customers within the Commonwealth.

(b) The surcharge shall be calculated annually and adjusted to account for past over- or under-collections.

(c) The surcharge shall be recovered on a per unit basis on each unit of commodity which is sold or transported to eligible residential or small commercial customers over its distribution system.

(d) Before instituting the surcharge, a NGDC shall remove any amounts attributable to promoting retail competition from its base rates. This may be done through a 66 Pa.C.S. § 1308 (relating to voluntary changes in rates) rate case filed not less than 5 years after first seeking recovery.

(e) Until a NGDC which seeks recovery of its costs of promoting retail competition files a base rate case under 66 Pa.C.S. § 1308(d)(relating to general rate increases), the NGDC shall eliminate the effect of recovery of these costs in base rates though the filing

of a credit to its base rates equal to the amount in base rates. This may be accomplished through the use of a revenue neutral adjustment clause that would credit base rates for the costs associated with promoting retail competition to residential and small commercial customers that are currently reflected in base rates. Costs would be fully recoverable through a reconcilable surcharge billed to participating residential and small commercial customers and NGSs. The adjustment clause would be established through the filing of a fully allocated cost of service study and a proposed tariff rider. The credit and surcharge shall be adjusted not less than annually.

(f) The revenue neutral adjustment clause rider shall remain in effect until establishment of new base rates under 66 Pa.C.S. § 1308(d) which include a fully allocated cost of service study to remove these costs from base rates.

(g) The surcharge shall be subject to audit.

§ 62.185. Supplier coordination tariff, business practices and standards for service provided by NGSs to residential and small commercial customers.

(a) *General.* The Commission may adopt best business practices and standards that will facilitate supplier participation in the residential and small commercial retail natural gas market and will direct NGDCs and NGSs to comply with the practices and standards. NAESB standards and model agreements that are determined to be cost-effective and which remove market barriers for supplier participation will be considered for adoption.

(b) *Supplier coordination tariff.* The Commission may establish a standard SCT and may direct a NGDC to implement a SCT that generally conforms to the standard SCT to the extent possible based on the limitations and design of the NGDC's distribution system and operations. The standard SCT may be revised in accordance with Commission orders, policies and regulations. The current version of the standard SCT will be made available on the Commission website.

(1) A NGDC shall implement a SCT based on a standard format SCT that is consistent with its customer choice system operations plan for NGSs desiring to serve or currently serving residential and small commercial customers.

(2) The NGDC shall file a SCT in accordance with Commission orders, policies and regulations. When the NGDC has an existing SCT, the NGDC shall file a tariff supplement.

(3) The NGDC's current supplier tariff or supplement shall remain in effect until the Commission approves a SCT or tariff supplement filed in compliance with this section.

(c) *Business practices and standards.* The Commission may establish best business practices and standards as necessary to implement the Act, and may direct their implementation by NGDCs and NGSs.

(1) A NGDC's implementation of business practices and standards shall be consistent with its customer choice system operations plan for residential and small commercial customers.

(2) A NGDC's business practices and the process by which they are adopted may not undermine existing regulatory negotiated settlements approved by the Commission, may not compromise the safety, efficiency, security and reliability of system operations, and may not be unduly discriminatory.

(3) A NGDC shall implement the following standards:

(i) *Cash out and penalties.* A NGDC shall cash out NGS imbalances at a rate established by the NGDC. NGSs are subject to penalties associated with OFOs and failure to deliver as established in the NGDC tariff.

(ii) *Nominations.* A NGDC shall support the timely cycle and at least one intraday cycle.

(iii) *Capacity.* A NGDC shall provide full access to pipeline and storage capacity and will support daily nominations and delivery requirements.

(d) *Communication standards and formats.* The Commission may establish electronic data communication standards and formats that have been developed by a working group

consisting of interested NGSs who are currently serving residential and small commercial customers in Pennsylvania and NGDCs. Standards and formats may be implemented for nominations and delivery requirements and customer enrollment, usage and billing and payments.

(1) A NGDC shall be responsible for NGS testing and certification in regard to approved electronic data communication standards and formats.

(2) The Commission may, subject to notice and an opportunity to be heard, direct a NGDC to install and upgrade a billing system, software and other communication or data transmission equipment and facilities to implement established electronic data communications standards and formats; provided that the Commission concurrently provides timely and full recovery of all costs incurred by an NGDC in complying with such directive.

(3) Communication standards and formats shall be revised in accordance with Commission orders, policies and regulations.