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PA PUC SECRETARY'S BUREAU

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December 1, 2009

***Via Hand Delivery***

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

RE: Proposed Rulemaking: Natural Gas Distribution Company Business Practices; 52 Pa. Code §§62.181 – 62.185, and *S.E.A.R.C.H. Final Order and Action Plan* for Increasing Effective Competition in Pennsylvania's Retail Natural Gas Supply Services Market, Docket Nos. L-2009-2069117 and I-00040103F0002; **COMMENTS OF THE PEOPLES NATURAL GAS COMPANY d/b/a DOMINION PEOPLES**

Dear Secretary McNulty:

Enclosed for filing with the Commission please find an original and fifteen (15) copies of the Comments of The Peoples Natural Gas Company, d/b/a Dominion Peoples in the above-captioned matter.

Please direct any questions that you may have regarding this filing to me.

Very truly yours,

Lillian S. Harris
*Counsel for The Peoples Natural Gas Company, d/b/a Dominion Peoples*

LSH/cll
Enclosures
cc: William E. McKeown
Joseph A. Gregorini
Susan G. George

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

| | | |
|---|---|---|
| Proposed Rulemaking: Natural Gas Distribution Company Business Practices; 52 Pa. Code §§62.181 – 62.185 | : | Docket No. L-2009-2069117 |
| S.E.A.R.C.H. Final Order and Action Plan for Increasing Effective Competition in Pennsylvania's Retail Natural Gas Supply Services Market | : | Docket No. I-00040103F0002 |



**COMMENTS OF**
**THE PEOPLES NATURAL GAS COMPANY**
**d/b/a DOMINION PEOPLES**

The Peoples Natural Gas Company, d/b/a Dominion Peoples, ("Dominion Peoples") submits these Comments in response to the Pennsylvania Public Utility Commission's ("Commission") May 1, 2009, Proposed Rulemaking Order calling for input on proposed regulations standardizing natural gas distribution company ("NGDC") business practices, operating rules and supplier coordination tariffs ("Business Practices Order"). In addition to filing these Comments, Dominion Peoples also joins in and supports the Comments filed today by the Energy Association of Pennsylvania ("EAPA").[1]

## I. INTRODUCTION

The Business Practices Order prudently calls for the input of stakeholders to be received through a working group context, so the business practices regulations that are ultimately crafted will be workable and "worth the effort." Dominion Peoples supports

[1] Dominion Peoples has signed onto the EAPA comments, that address a number of additional issues, including, but not limited to, needed changes to Sections 62.181 - 62.183.

the idea of convening and concluding that working group prior to review and approval of final regulations. In order to aid the full vetting of issues during that process, Dominion Peoples offers these comments on the draft regulations that would direct NGDCs to submit standard supplier coordination tariffs (SCTs), implement certain Commission-approved standard business practices and communication standards and formats, and provide for NGDC recovery of reasonable costs prudently incurred which are directly attributable to the implementation of the business practices. Order at 2.

While the goals of the rulemaking are laudable, the draft regulations require revision to add clarity and make them workable for all NGDC systems. Dominion Peoples focuses here on suggested revisions to Sections 62.184 (NGDC Cost Recovery) and 62.185(b) - (Supplier Coordination Tariff), (c) - (Business Practices and Standards), and (d) - (Communications Standards and Formats).

## II. COMMENTS

### A. <u>§62.184 NGDC Cost Recovery</u>

Subsections 62.184 (d), (e), and (f) detail the steps required for an NGDC to establish a cost recovery mechanism related to the practices employed as a result of this rulemaking. However, Subsections (d) and (e) appear to conflict and are, at the very least, confusing. Subsection (d) states that, before instituting the surcharge, an NDGC must remove retail competition costs from base rates through a base rate case. But subsection (e) states until a rate case is filed, the NGDC shall eliminate competition costs through a revenue neutral adjustment established through the filing of a cost of service study in its 1307(f) filing. The Commission should explain how these subsections are intended to work and make adjustments to the proposed regulation to make the contemplated process as clear as possible. In addition, the regulation as currently drafted does not, but should, permit NDGCs to track and defer actual retail competition costs for eventual recovery through the cost recovery mechanism set up in Section 62.184.

**B. 1. <u>§62.185 (b) – Supplier Coordination Tariff</u>**

Because of the operational differences of NGDCs, the standard SCT to be established by the Commission should not contain specifics, but instead should be limited to a general outline that contains, at a minimum, the categories listed below. The SCT should be standardized such that each tariff would contain standard topics that each NGDC would develop and apply. For example, rules governing Operational Flow Orders for all NGDCs would be found in the same section number of each SCT. In this way, a natural gas supplier or member of the public can more easily find and compare the NGDCs' rules governing each tariff issue.

The SCT should include, at a minimum, the following categories:

I. Rules and Regulations

   a. Sources of Supply and Related Measurement and Quality Requirements

   b. Critical Day Planning – Covering Maintenance and Operational Alerts, Operational Flow Orders, Curtailment Provisions.

   c. Billing and Payment Requirements Applicable to Suppliers.

   d. Supplier Creditworthiness and Bonding Requirements

   e. *Suppliers Procedures Governing the Exiting of the NGDC System*

   f. Supplier Dispute Resolution Process

   g. NGDC Standards of Conduct

   h. Ratepayer Enrollment Processes and Requirements

   i. NGS Customer Service and Contact Requirements

II. Supplier Rate Schedules – Various rate schedules applicable to services provided by the NGDC to individual Suppliers. These rate schedules would set forth the availability, terms of service, operational requirements, fees, etc., covering services such as pooling, supply aggregation and billing.

The Commission must recognize the differences among NGDC systems that call for the exercise of NGDC management discretion in customizing the SCT rules. One size does not fit all for every rule on every system. With that said, a general outline of topics covered detailing the applicable supplier rules and regulations merits approval.

### 2. <u>§62.185 (c) – Business Practices and Standards</u>

#### a. <u>§62.185 (c) (3) (ii) *Tolerance Bands*</u>

This section requires a tolerance band on the difference between customers' usage and supplies of no less than 10% of the gas supplies delivered by the supplier. This tolerance band is considerably more liberal than Dominion Peoples' current rules and practices. Dominion Peoples believes that the more liberal tolerance bands may be workable in many cases but offers that there are certain circumstances where more liberal tolerance bands should not be applicable.

For example, under Dominion Peoples' Priority One Pooling Program (Rate P-1), residential and certain essential human needs commercial customers are balanced on a daily basis and, in that situation, Dominion Peoples provides suppliers with daily usage targets. Appropriately, in this situation, there is no imbalance tolerance provided and suppliers must match daily supplies with the daily usage target or be subject to cash-outs. Moreover, a zero tolerance is appropriate under the P-1 program because suppliers are assigned sufficient assets, such as on-system and off-system storage capacity and local gas supplies, to manage their supplies.

In addition, the Commission must acknowledge that providing more liberal balancing tolerances, as contemplated by draft Section 62.185, has gas supply capacity and cost implications for customers that must be taken into account. Because of the large number of customers that are served and that potentially can be served under the P-1 program, moving to a 10% tolerance band could dramatically increase the peak day capacity requirements and costs on the Dominion Peoples' system. Further, Dominion Peoples' Non-Priority One transportation program (Rate GS-T, Rate T, and Rate NP-1) requires customers to be balanced on a monthly basis and provides for a monthly balancing tolerance of 3.5%, which is considerably less than the 10% tolerance required under proposed Section 62.185. Increasing balancing tolerances for monthly balanced customers and suppliers will require NGDCs to acquire additional pipeline capacity and incur additional costs to ensure system supply requirements are met on a peak day. On Dominion Peoples' system, the cost for such capacity is appropriately recovered through balancing charges applicable only to transportation customers. Thus, increasing the balancing tolerances and the associated added charges paid by transportation customers seems to run counter to the intended result of this regulation.

It should be noted that even with less liberal tolerance bands currently in place, Dominion Peoples has a successful transportation program with significant participation levels. Approximately one-third of our residential customers participate in the P-1 transportation program and about eighty percent of the gas consumed by commercial and industrial ratepayers is received from third party suppliers.

**b. <u>§62.185 (c) (3) (iii) *Cash Out and Penalties*</u>**

The cash out and penalties proposed under Subsection 62.185(c)(3)(iii) are less penal and provide decreased incentives for suppliers to stay in balance as compared to the cash outs and penalty multipliers set forth in Dominion Peoples' current tariffs. Dominion Peoples' under-delivery cash out multipliers for monthly balanced customers are 110% (imbalances from 3.5% to 10%), 130% (imbalances from 10% to 30%), and 150% (imbalances from 30% to 50%). Dominion Peoples' over-delivery cash out multipliers are 90% (imbalances from 3.5% to 10%), 70% (imbalances from 10% to 30%), and 50% (imbalances from 30% to 50%). Dominion Peoples is not opposed to the proposed more liberal cash outs and penalties. However, it is important to note and the Commission must acknowledge that more liberal cash out and penalty provisions will increase costs to 1307(f) customers through reduced cash out revenues and higher cost of buy-back purchases from suppliers. And even with less liberal cash-out provisions currently in place, Dominion Peoples has a successful transportation program with significant participation rates.

**c. <u>§62.185 (c) (3) (v) *Capacity*</u>**

This section should be expanded to acknowledge that access to and assignment of pipeline and storage capacity is applicable only to capacity that the NGDC is currently holding for customers that switch to natural gas suppliers. Further, NGDCs should have the discretion to not provide access to any capacity that results in insignificant or nonmaterial assignment of capacity.

**3. <u>§62.185 (d) – Communication Standards and Formats</u>**

Dominion Peoples requests that the Commission provide the NGDCs with sufficient lead time in order to implement the electronic data communication standards and formats that may be established in this proposed regulation.

## III. CONCLUSION

Dominion Peoples appreciates the opportunity to submit these Comments on the proposed regulations and reserves its right to file Reply Comments addressing the positions advanced by others in these proceedings. Fostering retail customer choice carries with it certain costs and the Commission would be well-served by closely reviewing the comments of all stakeholders and carefully weighing the costs that revised regulations may bring to NGDC customers. Dominion Peoples submits that the Commission should adjust the regulations as noted herein to add clarity, and retain existing rules that allow NGDC systems to operate in conformance with the least cost mandate of Section 1307(f) of the Code. Simply put, standardizing NGDC business practices for the sake of supplier ease of use, but at substantial cost to customers, is counter to the original intent of providing retail gas supplier choice to customers, and thus, must be avoided.

Respectfully submitted,

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Dated: December 1, 2009