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INDEPENDENT REGULATORY  
REVIEW COMMISSION



**Independent Oil & Gas Association of Pennsylvania**

December 16, 2009

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**VIA HAND DELIVERY**

James J. McNulty, Secretary  
PA Public Utility Commission  
Keystone Building, 2<sup>nd</sup> Floor  
400 Commonwealth Avenue  
Harrisburg, PA 17105-3265

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

Dear Secretary McNulty:

Enclosed are the original and 15 copies of the reply comments of the Independent Oil and Gas Association of Pennsylvania concerning this rulemaking. Electronic copies are being provided via email to Patricia Krise Burket, Esquire, Annunciata Marino and Cyndi Page.

Very truly yours,

Louis D'Amico,  
Executive Director

Enclosure

115 VIP Drive, Suite 210, Wexford, PA 15090-7906  
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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**REPLY COMMENTS OF  
THE INDEPENDENT OIL AND GAS ASSOCIATION OF PENNSYLVANIA**

In its initial comments, the Independent Oil and Gas Association of Pennsylvania (“IOGA”)<sup>1</sup> expressed its support for the proposed regulations and requested that the regulations be expanded to include business practices related to Pennsylvania produced natural gas for those gas utilities with local production on their systems. IOGA also questioned whether the Commission’s intended use of the stakeholder process to implement these regulations, including development of a standardized supplier coordination tariff (“SCT”) and best business practices, is – at this point in time – the best or even a viable way of implementing the regulations in a timely manner. IOGA suggested that it may be a better use of time and resources for *Commission staff to develop and propose a standardized supplier coordination tariff and best business practices for written comments pursuant to a timetable with a definite end date.*

IOGA’s concern that the intended stakeholder process would not permit timely implementation of the regulations and the measures required by the regulations is validated by the initial comments of several parties which suggest that the implementation of the regulations and standardized SCT and business practices be delayed until the conclusion of the stakeholder process. IOGA participated in the SEARCH process which was initiated by the Commission’s

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<sup>1</sup> IOGA is a non-profit trade association representing Pennsylvania independent oil and natural gas producers and marketers. IOGA’s members include Pennsylvania natural gas producers that produce, transport and market their Pennsylvania Appalachian natural gas production to most Pennsylvania natural gas distribution companies and to Commission-licensed natural gas suppliers (“NGSs”) for use by Pennsylvania retail customers. IOGA’s members also include NGSs that transport and market their own Pennsylvania Appalachian production, as well as the production of other companies, to Pennsylvania retail customers.

Order entered October 6, 2005, at Docket No. I-00040103. The first SEARCH meeting was not held until more than 5 months later on March 30, 2006, and the Search Report was issued in May 2008, more than 2 ½ years after the initiation of the SEARCH process. The Commission acted quickly to address the issues raised by the SEARCH report, issuing its "Action Plan" only a few months later in September 2008.

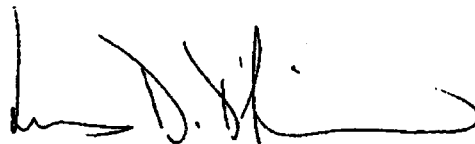
As this timeline shows, using the stakeholder process to address issues to remove barriers to competitive supplier participation in the competitive natural gas retail market is a lengthy, time consuming process. The initial comments of the National Energy Marketers Association ("NEM") also recognized this and suggested that issues be prioritized for resolution by the stakeholder process. More importantly in IOGA's view and consistent with IOGA's initial comments, NEM proposed that firm timelines and deadlines be established for the stakeholder process and that the Commission issue a strawman proposal to "jump start" the stakeholder process.

IOGA's and NEM's proposal for issuance of a Commission strawman to initiate the stakeholder process is supported by the gas utilities' "one size does not fit all" arguments. The gas utilities proposals to limit standardization of the SCT to general categories or topics, with each utility's SCT containing variations to account for the utility's exercise of management discretion to customize the SCT, demonstrate that the consensus achievable by the stakeholder process on standardization issues is limited and, thus, this process is unlikely to be an efficient and worthwhile use of the Commission's and stakeholders' time and resources to develop the standardized SCT and best business practices. Perhaps more important, these arguments and proposals run counter to the very purpose of the Commission's efforts, and would render "standardization" ineffectual. Finally, the Commission should not be dissuaded from

standardization by the spectre of “unreliability” raised by the comments of the industrial customer groups. All stakeholders recognize that the Commission’s efforts may not result in a reduction of the reliability of gas service.

On another matter, IOGA notes that no other commentator addressed specific issues related to Pennsylvania produced natural gas. Nonetheless, IOGA requests that the Commission’s SCT and best business practices strawman provide for implementation of the Commission’s regulation requiring distinct consideration of Pennsylvania produced natural gas: “The development of Pennsylvania natural gas should be promoted, because it will achieve benefits that accrue to gas utilities and their customers.” 52 Pa. Code § 60.1. Currently, only The Peoples Natural Gas Company promotes the development of Pennsylvania produced natural gas by providing a discounted transportation rate. All the major gas utilities that rely upon Pennsylvania natural gas to serve customers should be required to implement this provision of the Commission’s regulations.

Accordingly, IOGA requests that the Sections 62.185(b) and (c) of the proposed regulations be amended as shown on Appendix A attached hereto, which also shows the amendment to Section 62.185(c)(4)(vi) requested by IOGA’s initial comments.



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Louis D. D’Amico, Executive Director  
Independent Oil and Gas Association of Pennsylvania

## Appendix A

### § 62.185. Supplier coordination tariff, business practices and standards.

(a) *General.* The Commission may adopt best business practices and standards that will facilitate supplier participation in the 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 direct that a NGDC implement a SCT that conforms to the standard SCT. 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.

(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 SCT shall include provisions that promote the development, transportation and use of Pennsylvania produced natural gas.

(4) 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.

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

(3) A NGDC's business practices and standards shall promote the development, transportation and use of Pennsylvania produced natural gas.

(4) 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 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.

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

(v) *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.

(vi) *Pennsylvania produced natural gas.* A NGDC that relies upon Pennsylvania produced natural gas to serve retail customers shall provide: measurement, accounting and reporting of local production to producers within 30 days after the close of the measurement period, the actual beginning and ending dates of which shall be stated; resolution of new meter tap requests within 60 days in accordance with known and objective criteria, including related costs; and installation of new meters within 30 days after new meter tap approval, in accordance with known and objective criteria.

(d) *Communication standards and formats.* The Commission may establish electronic data communication standards and formats 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.

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