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November 19, 2012

2977

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA HAND DELIVERY

**RE: Establishing A Uniform Definition and Metrics For Unaccounted-For-Gas; Docket
No. L-2012-2294746**

Dear Secretary Chiavetta:

Enclosed please find an original and fifteen (15) copies of the Comments of Industrial Customer Groups regarding the above-referenced proceeding.

Please date stamp the extra copy of this transmittal letter and Comments, and kindly return them to our messenger for our filing purposes.

Sincerely,

McNEES WALLACE & NURICK LLC

By

Elizabeth P. Trinkle

Counsel to Industrial Customer Groups

EPT/sds

Enclosure

c: Nathan Paul (via E-mail)

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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Establishing A Uniform Definition And Metrics
For Unaccounted-For-Gas

Docket No. L-2012-2294746

COMMENTS OF
INDUSTRIAL CUSTOMER GROUPS

I. INTRODUCTION

On June 7, 2012, the Pennsylvania Public Utility Commission ("PUC" or "Commission") issued a Proposed Rulemaking Order in the above-captioned docket ("Proposed Rulemaking") establishing a uniform definition and metrics for unaccounted-for-gas ("UFG").¹ In addition to providing a consistent definition for UFG, the Proposed Rulemaking sets forth a cap metric for maximum allowable recovery of distribution system UFG. The Comments included herein address the Proposed Rulemaking's effect on Large Commercial and Industrial ("C&I") customers of national gas distribution companies ("NGDCs").

The Industrial Energy Consumers of Pennsylvania ("IECPA"), Central Penn Gas Large Users Group ("CPGLUG"), Columbia Industrial Intervenors ("CII"), Peoples Industrial Intervenors ("PII"), Philadelphia Area Industrial Energy Users Group ("PAIEUG"), Philadelphia Industrial & Commercial Gas Users Group ("PICGUG"), and UGI Industrial Intervenors ("UGIII") (collectively, "Industrial Customer Groups") submit these Comments in response to the Proposed Order. IECPA is a 20-member *ad hoc* group of energy-intensive industrial

¹ See *Establishing A Uniform Definition and Metrics For Unaccounted-For-Gas: Proposed Rulemaking Order*, Docket No. L-2012-2294746 (Order entered June 7, 2012).

customers of electricity and natural gas. More than 41,000 Pennsylvanians are employed by IEPCA member companies alone. CPGLUG, CII, PII, PAIEUG, PICGUG, and UGIII are all ad hoc groups of commercial, institutional and industrial customers of natural gas that participate in various proceedings before this Commission.

The Industrial Customer Groups generally support the concept of a consistent definition for UFG. However, the proposed regulations provide a declining UFG recovery metric for distribution system losses only. Given that reported UFG levels may differ among electric utilities based on service type, the Commission should ensure that the benefits of reductions in UFG flow back to the appropriate customers.

II. COMMENTS

A. A Consistent UFG Definition Benefits Pennsylvania Ratepayers By Eliminating Reporting Inconsistencies

As the Proposed Rulemaking makes clear, the current lack of uniformity in defining UFG has produced flawed calculations and inconsistently reported UFG levels. NGDCs have been reporting significantly variant levels of UFG to the PUC in the same calendar year depending on the definition of UFG used in each filing.² Such disparate, and in some cases, net negative reported UFG levels must be addressed in order to accurately determine the costs borne by ratepayers, which are estimated to be as much as \$131.5 million annually.³

Given the significant financial impact UFG has on Pennsylvania ratepayers, Industrial Customer Groups support the Commission's efforts to standardize the UFG definition. Utilizing a standard definition will correct these inconsistencies and alleviate further reporting errors. Additionally, the proposal to calculate and report UFG by system type, with separately reported

² See Proposed Rulemaking at 9 (providing table of annually reported UFG levels by NGDC from 2005-2010).

³ See *id.* at 10 (noting that the exact impact on Pennsylvania ratepayers is currently unknown due to the lack of a consistent UFG definition).

UFG levels for distribution, transmission, storage, and production/gathering facilities, generally appears to be a more cost-based approach than current reporting mechanisms. Other approaches to calculating UFG may be more appropriate, however, and Industrial Groups reserve the opportunity to modify their position in light of comments submitted by other parties in this proceeding.

B. Benefits of Improved UFG Service Should Flow Back To the Appropriate Customers

The Proposed Rulemaking includes a provision setting forth a declining UFG metric for distribution system losses. The proposed metric would allow all Pennsylvania NGDCS to recover for distribution UFG levels below five percent in the first year, and would decline one-half percent annually until reaching a maximum three percent UFG recovery in five years.⁴ The starting level of five percent reflects the worst performing levels within Pennsylvania, while the end point of three percent has already been attained by the majority of NGDCs.⁵

Although the standardization of UFG generally creates greater uniformity for Pennsylvania ratepayers, the Proposed Rulemaking provides a declining UFG recovery metric for distribution system losses only. Given that reported UFG levels may differ among utilities based on service type, Industrial Customer Groups urge the Commission to ensure that the benefits of reductions in UFG flow back to the appropriate customers. For instance, most transportation customers are already paying retaining rates to accommodate UFG. Since NGDCs are currently recovering UFG-related costs from transportation customers, these customers should also receive the related benefits of NGDCs' service improvements through reduced retainage rates.

⁴ See *id.* at 12.

⁵ See *id.*

II. CONCLUSION

WHEREFORE, Industrial Energy Consumers of Pennsylvania, Central Penn Gas Large Users Group, Columbia Industrial Intervenors, Peoples Industrial Intervenors, Philadelphia Area Industrial Energy Users Group, Philadelphia Industrial & Commercial Gas Users Group, and UGI Industrial Intervenors respectfully request that the Pennsylvania Public Utility Commission consider these Comments and ensure that the benefits of reductions in UFG flow back to the appropriate customers.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

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Counsel to the Industrial Energy Consumers of Pennsylvania, Central Penn Gas Large Users Group, Columbia Industrial Intervenors, Peoples Industrial Intervenors, Philadelphia Area Industrial Energy Users Group, Philadelphia Industrial & Commercial Gas Users Group, and UGI Industrial Intervenors

Dated: November 19, 2012