



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF SMALL BUSINESS ADVOCATE

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November 19, 2012

HAND DELIVERED

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

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**Re: Establishing a Uniform Definition and Metrics for Unaccounted-for-Gas
Docket No. L-2012-2294746**

Dear Secretary Chiavetta:

I am delivering for filing the original and fifteen (15) copies of the Comments, on behalf of the Office of Small Business Advocate, on the Proposed Rulemaking.

If you have any questions, please contact me.

Sincerely,

Elizabeth Rose Triscari
Assistant Small Business Advocate
Attorney ID No. 306921

Enclosures

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BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

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ESTABLISHING A UNIFORM :
DEFINITION AND METRICS FOR : Docket No. L-2012-2294746
UNACCOUNTED-FOR-GAS :

**COMMENTS OF THE OFFICE OF SMALL BUSINESS
ADVOCATE ON PROPOSED RULEMAKING ORDER**

I. INTRODUCTION

In February, 2012, the Bureau of Investigation and Enforcement and Bureau of Audits of the Pennsylvania Public Utility Commission ("Commission") internally issued a Joint Report regarding unaccounted-for-gas ("UFG") in the Commonwealth. The Joint Report recommended that the Commission establish a uniform definition of UFG to eliminate any reporting inconsistencies that may exist, as well as establish specific metrics to facilitate a transition to an acceptable level of UFG. The Joint Report also suggested that the Commission consider creating a cap for UFG cost recovery by natural gas distribution companies ("NGDCs").

The Commission adopted these recommendations and in accordance with Section 501 of the Public Utility Code, 66 Pa. C.S. §501(b), formally commenced its rulemaking process by issuing a Proposed Rulemaking Order on June 7, 2012 ("Order"). The Order directed comments to be filed within 30 days of its publication in the *Pennsylvania Bulletin*. On October 20, 2012, the Order was published accordingly. The Office of Small Business Advocate ("OSBA") submits the following comments pursuant to the Order.

II. COMMENTS

1. The OSBA generally supports the Commission's efforts to establish a consistent standard for measuring UFG rates across Pennsylvania NGDCs. In particular, the OSBA supports the Commission's proposal to separately measure UFG by system type. Computing and reporting UFG by the various system functions allows for a meaningful comparison across NGDCs of *distribution-related UFG*, which is common to all gas utilities.

2. The OSBA also strongly supports the Commission's proposal that UFG measurement rely only on actual metered data, with only those adjustments that are conceptually sound, based on clear engineering standards, and clearly documented. To further reduce the potential for confusion in measurement for distribution-related UFG, the OSBA recommends that:

- a. In order to allow parties to confirm that volumes used for revenue purposes are consistent with volumes used for UFG calculation purposes, distribution gas deliveries should be defined as metered gas deliveries, as adjusted for temperature or pressure for billing purposes, and as adjusted for billing cycles.¹ Any other differences between gas deliveries used in the UFG calculation and billed gas deliveries should be included as adjustments, and subject to the Commission's requirements for any such adjustments.

¹ For example, the OSBA notes that Columbia Gas tariff at page 57, Section 15.1 Measurement of Gas, states: "Except as herein otherwise provided, the measurement of gas service shall be by meters purchased and installed by the Company. The meter will be of such size and type as the Company may determine to adequately serve the customer's service requirements, and the Company may from time to time, change or alter the equipment to provide for accurate measurement. To determine measured usage, factors such as those for pressure, temperature, specific gravity and deviation from the laws for ideal gases shall be applied." The OSBA believes that, in this case, the adjusted throughput used for billing purposes would be a more accurate reflection of deliveries than the unadjusted metered volumes.

- b. Distribution gas receipts should be defined as metered deliveries from interstate pipelines (both transmission and storage supplies), metered withdrawals from NGDC storage, and metered local production delivered into the NGDC's distribution system either directly or from an NGDC gathering system.

3. The Commission should consider the use of a UFG measurement period that begins and ends sometime during the low-usage summer months. In the OSBA's experience, this will result in a much more accurate and stable UFG measurement from year to year than the calendar year period proposed by the Commission. Use of a December 31 end-date will magnify errors related to the estimated adjustments for unbilled gas, as well as other variations related to system pressure, temperature, and other weather factors.²

4. The Commission's proposed calculation of UFG may create problems if required to be used to compute Storage UFG. Storage UFG cannot be measured as the difference between injections and withdrawals, and actual inventory changes cannot be easily measured. Therefore, the OSBA is unsure how the Commission intends to calculate UFG rates for NGDC-owned storage systems. The OSBA suggests that storage-related UFG issues be excluded from this rulemaking.

5. The OSBA generally agrees with the Commission's proposal that NGDCs whose distribution-related UFG rates are below the proposed distribution metric should demonstrate

² The OSBA agrees with the Commission that the calendar period for which receipts and deliveries apply should be identical. Because customer billing cycles do not correspond with calendar months, gas deliveries in any particular month cannot be directly metered. Thus, for the first month in a UFG measurement year, billed gas volumes must be adjusted to exclude volumes related to the prior UFG measurement year. Similarly, for the last month in a UFG measurement year, billed gas volumes must be increased to reflect unbilled gas volumes in that year. Logically, the adjustments will be much smaller if done in the summer than the winter, and therefore the potential for error will be much lower.

continuous improvement, and recommends that similar language be included in the Final Rulemaking Order, if not in the amendment of the Commission's regulations at Section 59.111. However, the OSBA notes that some NGDCs have extremely low UFG rates (*e.g.*, NFG) at which level a requirement for continuous improvement may not be necessary.

6. In general, the OSBA agrees with the Commission that a uniform definition of and metrics for UFG will reduce the likelihood of negative UFG rates. However, the Commission should not automatically assume that a negative UFG rate implies an error in the data or calculations. Even with a more accurate and consistent metric for determining UFG, metering errors will continue to occur and some estimates will be required to be made, such as adjustments for billing cycles, temperature and pressure adjustments, etc. As long as such metering errors and estimated adjustments are unbiased, it remains possible that legitimate negative UFG rates will occur. A negative UFG rate that is far out of line with historical UFG rates, however, should be a cause for concern.

7. The OSBA believes that reviewing trends in UFG rates, rather than only an individual year's performance, is an important part of the annual UFG evaluation. However, without an explicit Commission directive, it is sometimes difficult to obtain information from NGDCs regarding historical performance. The OSBA respectfully requests that, when the proposed metrics go into effect, the NGDCs be required to provide five years of historical UFG performance, with supporting data and calculations, in their next PGC or GCR proceeding.

III. CONCLUSION

In view of the foregoing, the OSBA respectfully requests that the Commission enter a Final Rulemaking Order consistent with the OSBA's comments above.

Respectfully submitted,



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Dated: November 19, 2012

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