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November 19, 2012

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VIA HAND DELIVERY

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Honorable Rosemary Chiavetta
Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Establishing A Uniform Definition and Metrics For Unaccounted-For Gas Docket Number L-2012-2294746

Dear Secretary Chiavetta:

Enclosed please find an original copy of Pike County Light and Power Company's Comments in the above-captioned matter.

Should you have any questions concerning this filing, please contact me at your convenience.

Sincerely,

John J. Gallagher

Counsel for Pike County Light and Power Company

Enclosure

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

COMMENTS OF PIKE COUNTY LIGHT & POWER COMPANY

In its Proposed Rulemaking Order in the captioned matter adopted and entered June 7, 2012 ("Order"), the Pennsylvania Public Utility Commission ("Commission") seeks comments on proposed regulations that would establish a uniform definition of unaccounted for gas ("UFG") and metrics (including reporting requirements, standards and maximum limits) for UFG. The Order directs interested parties to submit comments to the Commission within 30 days and reply comments within 45 days of publication in the *Pennsylvania Bulletin*.[1] In response to the Commission's Order, Pike County Light & Power Company ("PCL&P" or the "Company") sets forth below its general comments.

General Comments

The Company is concerned that uniformly applying the proposed regulations to all Pennsylvania utilities – regardless of their size – could have a disproportionate adverse impact on smaller natural gas distribution companies ("NGDC"), such as PCL&P. More specifically, in light of the relatively little throughput for PCL&P compared to the majority of other

[1] The Order was published in the *Pennsylvania Bulletin* on October 20, 2012.

Pennsylvania NGDCs, the proposed rules could result in a single major incident (*e.g.*, storm damage or third-party damage) on PCL&P's system skewing the UFG metric for that particular year. *Such skewed metrics would not accurately reflect PCL&P's efforts to mitigate UFG levels.* Consequently, PCL&P urges the Commission to adopt criteria for small NGDCs that would exclude major nature-related (*e.g.*, floods, storms) or third-party incidents from the UFG calculation.

As currently structured, the incentives for achieving the UFG targets established in the Order under the proposed regulations are negative only. The Company would urge the Commission to also consider establishing positive incentives that reward NGDCs for superior performance in reducing levels of UFG. Such a balanced approach is currently employed in other jurisdictions, such as New York.[2]

Although the Company does not take issue with the UFG targets proposed in the Order, the Company would oppose any effort to further reduce the target, particularly if such efforts failed to appropriately consider the cost impact of further reductions and/or if such efforts fail to provide sufficient time to implement further reductions.

The Company's final comment is more in the nature of seeking clarification of the proposed regulations. Proposed rule §59.111 (c)(1) states that "[e]ach NGDC...shall, at a minimum, reduce distribution system loss performance in accordance with the metrics in the table below, commencing with its first subsequent...GCR filing 1 year after the effective date of this regulation." Proposed rule §59.111 (c)(2) goes on to state that "[t]he distribution metrics shall be applied on an annual basis for the year ending December 31." However, PCL&P's annual GCR filing is not currently made on a calendar year basis. Under the regulations as

[2] *See, e.g.*, NYPSC Case No. 08-G-1398, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Orange and Rockland Utilities, Inc. for Gas Service*, Order Adopting Joint Proposal and Implementing a Three-Year Rate Plan (issued October 16, 2009), Joint Proposal, pp. 16-17.

proposed, it is unclear how NGDCs that make their annual GCR filings on other than a calendar year basis should calculate their distribution system losses.

Conclusion

For the reasons provided above, PCL&P respectfully requests that the Commission: (1) adopt UFG criteria for small NGDCs that would exclude major nature-related or third-party incidents from the UFG calculation; (2) consider supplementing the currently proposed negative incentives for failing to meet UFG targets with positive incentives for superior performance; and (3) clarify how NGDCs that do not make their annual GCR filings on a calendar year basis should calculate distribution system losses under proposed rule §59.111 (c)(2).

Respectfully submitted,

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