

Pennsylvania Public Utility Commission Docket No. I-00040103

Investigation into the Competitiveness of the Natural Gas Supply Market

En Banc Hearing Testimony
Energy Association of Pennsylvania
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Comments to date misstate the mission and scope of the Gas Restructuring Act and this investigation

-  The Restructuring Act did **not** endorse competition for its own sake, but only to the extent consistent with safe and reliable service
-  The Restructuring Act is **not** about service to industrial and large commercial customers



For a collaborative to function, all participants must perceive a reasonable expectation of benefit

- ☞ Comments to date identify no reasonably achievable **customer or NGDC** gain that would motivate NGDCs to voluntarily enter into collaborative discussions
- ☞ Forced collaboration is a contradiction in terms



On three fundamental issues, the General Assembly determined that the potential development of competitive residential and small-volume markets was outweighed by the fundamental need to maintain safe, adequate and reliable natural gas service

- 📁 Capacity assignment
- 📁 NGDC as Supplier of Last Resort
- 📁 1307 regulation of SOLR rates



Capacity Assignment

- ☞ The loads at issue in the Restructuring Act demand dedicated, firm interstate transportation and storage services: There is no substitute
- ☞ Suppliers have not used their opportunities under the Act to bring dedicated firm capacity to market
 - ☞ Petitions to prevent assignment: § 2204(d)(5)(ii)
 - ☞ Contract renewal: §2204(e)
 - ☞ Meetings with NGDCs: § 2204(f)(2)



NGDC as Supplier of Last Resort

- 📦 For several legitimate reasons, the NGDCs' supplier of last resort ("SOLR") service remains the service of choice for most of the consumers affected by the Gas Restructuring Act
- 📦 Those who support requiring NGDCs to exit the merchant function would disregard the evident preferences of the citizens served by the Act, and instead impose mandatory customer assignments like those in Georgia
- 📦 Collaboration on SOLR is unnecessary



1307 Regulation of SOLR Rates

- ☞ The General Assembly consciously chose to subject SOLR service to regulation under Sections 1307, 1317 and 1318 because of the consumer benefit embodied in the “least cost procurement” standard
- ☞ With natural gas commodity rates already at extremely high levels, calls for making 1307 rates even higher should be dismissed
- ☞ Allegations that NGDCs manipulate 1307 rates or market them as fixed-price services are unfounded



Current policies reflect legitimate differences among NGDCs and should not be disturbed

-  The purchase of receivables should remain optional
-  Creditworthiness and security standards properly vary from NGDC to NGDC
-  Current penalty provisions properly recognize the role of deterrence: cost-based penalties and “no harm no foul” are improper



Final remarks

-  The Commission-approved marketing affiliate standards of conduct have worked without complaint for years and should be maintained
-  Operational issues that were settled in the various NGDC restructuring proceedings should remain undisturbed, and parties should not be allowed to use this proceeding to retract from positions they agreed to in settlement of NGDC restructuring cases
-  The NGDCs respectfully decline to have their services billed by NGSs

