

# AMERADA HESS CORPORATION

KATHERINE M. GUERRY  
Regulatory Affairs Specialist  
732-750-6414  
732-750-6670 (FAX)  
kguerry@hess.com

1 HESS PLAZA  
WOODBIDGE, NJ 07095-0961

*VIA Overnight Mail*

February 16, 2006

James J. McNulty  
Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, Pennsylvania 17105-3265

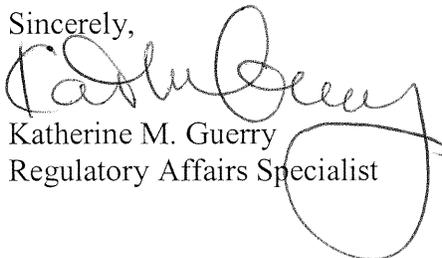
Re: Amerada Hess Corporation – Comments and Notice to Participate  
Natural Gas Stakeholder Working Group  
Docket No. I-00040103 F0002

To Mr. McNulty:

Enclosed for filing are an original and three copies of the Comments and Notice of Participation of Amerada Hess Corporation as required by the Notice issued by the Pennsylvania Public Utility Commission January 20, 2006 (“Notice”) in the above referenced Docket. An electronic version has also been sent to Assistant Counsel Patricia Krise Burket as requested in the Notice.

Thank you in advance for your attention to this matter. Should you have any questions or need any assistance please don't hesitate to contact to me at (732) 750-6414.

Sincerely,



Katherine M. Guerry  
Regulatory Affairs Specialist

**Before The  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Natural Gas Stakeholders Working Group  
Docket Number I-00040103 F0002**

**Notice to Participate  
And  
Comments on Tentative Subgroups**

Katherine M. Guerry  
Regulatory Affairs Specialist  
Amerada Hess Corporation  
One Hess Plaza  
Woodbridge, NJ 07095  
Phone: (732) 750-6414  
Fax: (732) 750-6670  
[kguerry@hess.com](mailto:kguerry@hess.com)

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## **Introduction**

Amerada Hess Corporation (“Hess”) submits these comments in response to the Notice issued by the Pennsylvania Public Utility Commission (“Commission” or “PUC”) in this proceeding on January 20, 2006. Pursuant to the Commission’s requests set forth in the Notice, Hess hereby submits comments on the proposed working groups and issue assignments for the Natural Gas Competition Stakeholder Collaborative scheduled to begin on March 30, 2006. In addition, Hess submits notice of its intent to participate in this Collaborative.

Hess recognizes the Commission devoted considerable time and thought considering the most efficient means of addressing and resolving the problems with a workable Pennsylvania competitive natural gas market identified in the “Report to the General Assembly” issued by the Commission October 6, 2005 (“Report”). In view of that, Hess appreciates this opportunity, prior to the commencement of these meetings, to provide input enabling the Commission to fine-tune the process. These are serious topics the Commission and stakeholders have been charged with resolving. It is therefore imperative to address all relevant issues in an environment and process which is the most conducive to achieving positive resolution with tangible and measurable results. Therefore, Hess provides these comments on what additions, clarifications and changes to the Commission’s proposal are necessary to foster a productive stakeholder collaborative process and to ensure satisfaction of the Commission’s duty and obligation under the Natural Gas Choice and Competition Act (the “Competition Act”)<sup>1</sup> to make recommendations to increase competition in Pennsylvania.

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<sup>1</sup> 66 Pa. C.S. §2201, *et al.*

## Comments

### 1. **Goals and Objectives of the Collaborative Process**

In the Report's conclusion, the Commission declared "a need to convene the Stakeholders to consider an integrated solution to enhance competition in the statewide retail natural gas supply services market," and that Stakeholders were to examine the problematic issues identified by the Commission in order to make recommendations for changes to the "market's structure and operation to encourage increased participation by NGSs and customers." *See Report at p.67.* While Hess strongly concurs with this conclusion, specific direction and structure is necessary in order for this process to be successful.

First and foremost, participants in the working subgroups proposed by the Commission need to be more narrowly focused on the task to which the Commission is charging. The Competition Act specifically sets forth that "(s)hould the Commission conclude that effective competition does not exist, the Commission shall reconvene the stakeholders in the natural gas industry in this Commonwealth to explore avenues, including legislative, for *encouraging increased competition in this Commonwealth.*"<sup>2</sup> The subgroups must be given a clear directive that discussion and resolution of the issues assigned to them have to be approached from the ultimate overriding goal of fostering competition. Calling for recommendations for "increased participation by NGSs and customers," *See Report at p.67,* does not impose this legislative directed obligation on the subgroups with sufficient clarity. The Commission must assert this directive with unwavering resolve because all stakeholders who volunteer for participation in the subgroups must be willing to commit to supporting the development of competition in the Commonwealth.

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<sup>2</sup> 66Pa. C.S. §2204(g), emphasis added.

Moreover, while it is beneficial for the collaborative to address the general topics listed in the Report and Notice, there must be assurances the subgroups will address the specifics of each individual NGDC's rules and tariffs in this collaborative process. For example, the sixth item listed under Subgroup I sets forth "uniform supplier tariff rules" as a topic to be addressed. While consistency and uniformity of rules across the state would be beneficial and can lower some barriers to entry, complete uniformity may not be realistic. Particularly with operational rules, given the varying physical and operational constraints on different NGDCs, complete consistency of rules applicable to NGSs on each system may not provide the greatest benefit to the market and consumers.

In addition to clarifying the overarching goal of these working groups, an expected work product, and timeframe within which to work, must be set. The Commission must be more specific as to the "recommendations" it seeks from the stakeholders. It is certainly beneficial to have all market stakeholders discuss and vet out the topics listed for each subgroup; however, there needs to be specific, measurable and identifiable goals for each subgroup and benchmarks for achieving each identified goal. Stakeholder confidence that the Commission will not only address, but implement, the changes necessary to ensure the directive of the Legislature in achieving a workably competitive market is a driving factor for effective participation and contribution in this process. That confidence will come from the creation of defined and expected results for each subgroup. Discussion for the sake of discussion can lead to filibusters that fundamentally undermine the stakeholder collaborative process, but the Commission can mitigate this danger by implementing defined and expected results for each subgroup.

Finally, to foster a productive working environment with specific tasks and goals, and to aid in setting an effective and realistic timeline, Hess requests agendas be set in advance and distributed for meetings of each subgroup. For instance Subgroup I has been charged with addressing eight diverse issues; a realistic division of those issues across meetings will logically occur. Given the limited resources available to many of the stakeholders, sufficient advanced notice of when each topic will be addressed will allow all to appropriately assign resources. For example, while it may be appropriate for one representative of an organization to attend when discussing Security, it may not be applicable for the same individual to attend when addressing Switching Restrictions.

## **2. Suggestions for Substantive Clarifications and Changes to Proposed Subgroups**

Hess also has some suggestions for clarification and changes to the structure of, and topics covered by, the subgroups. First, Hess believes the three issues identified under section IV in the Notice (“Code of Conduct,” “Sustained Commission Leadership in Competitive Markets” and “NGDC Promotion of Competition”) should actually be given their own separate subgroup (*i.e.*, Subgroup IV). These issues, like the other 17 issues identified in the Report, have a profound impact on the workability of Pennsylvania’s competitive market. Neglecting to address them in an assigned subgroup would not only be a disservice to Pennsylvania consumers and the Stakeholders devoting resources to this collaborative process, but would also ensure the ultimate goal of the Competition Act, achieving a workably competitive natural gas market, is not achieved.

Second, the topic of “Nomination and Delivery Requirements,” assigned to Subgroup I, should be clarified and expanded from the description currently provided. Specifically,

consideration of these requirements should include consideration of the imbalance rules of each NGDC. While, on the surface, imbalance rules may appear to be a discreet issue, the onerous imbalance rules imposed by several NGDCs have a profound impact on the ability of NGSs to operate efficiently in Pennsylvania, thereby creating a barrier to participation in the Pennsylvania competitive market. Nomination and delivery requirements cannot be considered in a vacuum to the exclusion of imbalance rules.

In addition, consideration of the imbalance rules should include discussion of accountability for errors causing economic impact. Simple errors or delays in the transmission of data can translate to adverse economic impact on NGSs, negating their efforts to adhere to NGDC rules. Therefore, any discussion of nomination and delivery rules should include appropriate accountability for errors in the timely and accurate communication of information.

Furthermore, Hess strongly recommends the Commission make available to all working group participants the NAESB recommended business practices suggested for consideration of Subgroup I topics. Not all stakeholders have access to this document, and the Commission should therefore distribute these standards prior to commencement of meetings so the collaborative may appropriately consider their applicability..

Finally, a general overarching concern of Hess with the proposed subgroups, and division of issues, is the incorporation of the concerns of commercial and industrial customers and their NGSs. A workably competitive market must address the needs of all classes of customers, and in the Report the Commission took care to address issues applicable to all classes of customers. Hess simply wants the same to carry through in implementation of the

subgroups. Therefore, Hess proposes when considering changes to the market, the subgroups should devote equal attention to the needs of all classes of customers.

**Notice to Participate and Volunteer**

Hess hereby notifies the Commission of its intent to participate in each of the subgroups. Given the possibility changes can still be made to the structure and process of the Natural Gas Stakeholder Working Groups, and given the resources available to Hess, we must at this time provide a list of potential representatives who are authorized to participate on behalf of Hess. Throughout the working group meetings at least one of these authorized Hess representatives will participate. Hess reserves the right to amend this list of authorized representatives to participate, with appropriate notice to the Commission, at any time:

Katherine M. Guerry  
Regulatory Affairs Specialist  
Amerada Hess Corporation  
One Hess Plaza  
Woodbridge, NJ 07095  
Tel: (732) 750-6414  
E-Mail: kguerry@hess.com

Alyssa D. Weinberger  
Manager C&I Gas Operations – Metro/Mid-Atlantic Region  
Amerada Hess Corporation  
One Hess Plaza  
Woodbridge, NJ 07095  
Tel: (732) 750-6024  
E-Mail: aweinberger@hess.com

Jodi L. Lutz  
Manager C&I Gas Operations – Ohio Valley Region  
Amerada Hess Corporation  
381 Mansfield Avenue, Suite 131  
Pittsburgh, PA 15220  
Tel: (412) 920-4000, ext. 23  
E-Mail: jlutz@hess.com

Randy Magnani  
Director C&I Gas Operations  
Amerada Hess Corporation  
One Hess Plaza  
Woodbridge, NJ 07095  
Tel: (732) 750-6589  
E-Mail: [rmagnani@hess.com](mailto:rmagnani@hess.com)

Jay L. Kooper  
Director of Regulatory Affairs  
Amerada Hess Corporation  
One Hess Plaza  
Woodbridge, NJ 07095  
Tel: (732) 750-7048  
E-Mail: [jkooper@hess.com](mailto:jkooper@hess.com)

### **Conclusion**

Hess again thanks the Commission for this opportunity to provide input on the structuring of the Natural Gas Stakeholder Working Groups. We look forward to openly addressing with all stakeholders necessary changes to achieve the Competition Act's directive of a workably competitive Pennsylvania natural gas market.

Respectfully Submitted,

  
Katherine M. Guerry  
Regulatory Affairs Specialist  
Amerada Hess Corporation