BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Revision of Guidelines for	**:**	
Maintaining Customer Services	**:**	**Docket No. M-2008-2068982**
Establishment of Interim Standards for	**:**	
Purchase of Receivables (POR) Programs	**:**	

COMMENTS ON BEHALF OF THE OFFICE OF SMALL BUSINESS ADVOCATE ON PURCHASE OF RECEIVABLES PROGRAMS

By Secretarial Letter dated October 16, 2008, the Pennsylvania Public Utility Commission ("PUC" or "Commission") invited parties to provide comments regarding guidelines to be used in the design and operation of Purchase of Receivables ("POR") programs for natural gas distribution companies ("NGDCs"). The OSBA submits the following in response to the Commission's invitation.

COMMENTS

Specific Questions Regarding Termination

As acknowledged in the Secretarial Letter, several parties in *Pennsylvania Public Utility Commission v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2008-2011621, litigated questions regarding whether, and under what circumstances, an NGDC may terminate service to a customer because of the customer's non-payment of charges for service rendered by a natural gas supplier ("NGS"). The OSBA took no position on those questions in that litigation. Therefore, the OSBA offers no comments on the four specific questions asked by the Secretarial Letter.

Suggestions for Other Guidelines

In addition to the four specific questions, the Secretarial Letter invited parties to propose other guidelines for POR programs to be implemented by NGDCs.

As contemplated by the Commission, a POR would be a program whereby an NGDC pays the NGS for the right to collect the NGS's unregulated charges from the NGS's customers (*i.e.*, the NGS's accounts receivable) and then attempts to collect these charges. Depending upon how the Commission resolves the issues raised by the four specific questions set forth in the Secretarial Letter, the NGDC may be able to use its regulated power to terminate service in order to collect these unregulated charges.

The OSBA does not object to an NGDC's implementing a POR program. However, a POR program can have significant consequences for all customers, including small commercial and industrial ("Small C&I") customers. Therefore, any POR program must have adequate consumer protections, especially to cover the circumstances in which the NGDC fails to recover all of the accounts receivable it purchases.

As a result of a base rate case settlement in 2007, the Duquesne Light Company ("Duquesne") and the other parties (including the OSBA) negotiated a three-year pilot POR program. This program was implemented January 1, 2008, and will terminate December 31, 2010. The OSBA would be willing to support an NGDC's POR program that had similar consumer protections as the Duquesne settlement provided. Therefore, the following are notable provisions of the Duquesne agreement which should be included in Commission guidelines for a POR program to be implemented by an NGDC:

- The NGDC will purchase the accounts receivable, without recourse, associated with NGS sales of retail gas commodity services to residential and Small C&I customers within the NGDC's service territory. A small discount will be applied to the purchase price.

- Each NGS participating in this POR program will agree not to reject a new customer simply because of that new customer's credit-related issues.

- The NGDC will not be permitted to recover retroactively from distribution ratepayers any difference between the discounts applied to NGS receivables and the uncollected amount of those receivables.[1]

CONCLUSION

WHEREFORE, the OSBA respectfully requests that the Commission establish POR guidelines for NGDCs which incorporate the OSBA's aforementioned comments and recommendations.

Respectfully submitted,

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[1] *See Petition of Duquesne Light Company for Approval of Default Service Plan for the Period January 1, 2008 through December 21, 2010*, Direct Testimony of Nancy J. Krajovic, Duquesne Statement No. 5 and Exhibit NJDK-1, Docket No. P-00072247.