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December 16, 2009

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

RE: Proposed Rulemaking: Natural Gas Distribution Company Business Practices; 52 Pa. Code §§ 62.181-62.185 – Docket No. L-2009-2069117

SEARCH Final Order and Action Plan for Increasing Effective Competition in Pennsylvania's Retail Natural Gas Supply Services Market – Docket No. I-00040103F0002

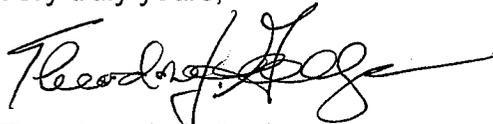
Dear Mr. McNulty:

I enclosed for filing the original and fifteen (15) copies of Columbia Gas of Pennsylvania, Inc.'s Reply Comments in the referenced matter.

I have enclosed an additional copy of Columbia's Reply Comments. Please file stamp the additional copy and return it to me in the enclosed self-addressed, stamped envelope.

If you have any questions, please call me at 724.416.6355 or e-mail me at tjgallagher@nisource.com. I thank you for your assistance.

Very truly yours,



Theodore J. Gallagher

enclosures

cc (via e-mail): Patricia Krise Burket
Annunciata Marino
Cyndi Page

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Proposed Rulemaking: Natural Gas	:	
Distribution Company Business Practices;	:	Docket No. L-2009-2069117
52 Pa. Code §§ 62.181-62.185	:	
	:	
<i>SEARCH Final Order and Action Plan for</i>	:	
Increasing Effective Competition in	:	Docket No. I-00040103F0002
Pennsylvania's Retail Natural Gas Supply	:	
Services Market	:	

**REPLY COMMENTS OF COLUMBIA GAS OF PENNSYLVANIA, INC.
TO PROPOSED RULEMAKING ORDER**

Now comes Columbia Gas of Pennsylvania, Inc. ("Columbia"), by and through its attorneys, and hereby submits its Reply Comments in the above captioned proceeding. Columbia filed initial Comments on December 1, 2009, and now submits these Reply Comments in order to address some of the issues raised by other parties participating in this proceeding. At the outset, Columbia commends to the Commission's attention and consideration the Reply Comments submitted by the Energy Association of Pennsylvania ("EAPA"), particularly the EAPA's recommendation to commence the stakeholder process that was originally intended to run concurrently with this Rulemaking. Columbia submits that the number of parties filing comments in this proceeding, along with the various positions taken by those parties, weighs in

favor of initiating a collaborative workgroup as a means to further the goal of creating standard supplier coordination tariffs (“SCTs”).

While the NGSs advocate for best practices across the state, the NGSs also acknowledge that NGDC system-specific attributes, such as operations, propose significant cost hurdles that need to be considered. (See e.g. Comments of Interstate Gas Supply, Dominion Retail, Inc. and Shipley Energy Company (collectively, “Suppliers”) at pp. 2-3; Comments of National Energy Marketers Association (“NEMA) at p. 3). Columbia agrees with the Suppliers’ position that standardization for its own sake is not advisable, “but rather, only where it makes operational sense to do so.” (Suppliers’ Comments at p. 3) Accordingly, Columbia supports the creation of general guidelines which NGDCs can then use to implement system-specific SCTs.

The Office of Consumer Advocate (“OCA”) maintains that the cost recovery provisions of proposed Section 62.184 should be eliminated. (OCA Comments at p. 6) Absent such elimination, OCA advocates that “costs should be recovered from all ratepayers, shopping and non-shopping, on a non-bypassable basis as provided for in the proposed regulation.” *Id.* That position is at odds with Columbia’s suggestion in its Initial Comments that the proposed regulations under consideration, and the cost recovery associated with implementation of such regulations, should only apply to residential and small commercial customers participating in choice, or their NGSs. (Columbia Comments, at p. 14) Columbia’s suggestion finds support in the Initial Comments filed by National Fuel Gas Distribution Corporation (“NFG”), Equitable Gas Company, LLC (“Equitable”), Industrial Energy Consumers of Pennsylvania (“IECPA”), and EAPA. While the regulations, as proposed, provide for utility recovery of the costs associated with implementation plans resulting from this rulemaking, customer classes that will enjoy no benefit from such implementation, such as large commercial and industrial customers

or Choice non-participants, should not bear the burden of such costs. Accordingly, consistent with the Initial Comments of NFG, Equitable Gas, IECPA, and EAPA, Columbia supports the proposed cost recovery provisions to the extent that such costs are allocated to NGSs or residential and small commercial customers who procure their supply through an NGS.

By the same token, Columbia disagrees with the Suppliers' suggestion that "the NGDC should be permitted to recover those dollars from all customers, since all customer (*sic*) benefit." (Suppliers' Comments at p. 3). Agway Energy Services, LLC, Gateway Energy Services Corp., and Vectren Retail, LLC (collectively "NGS Parties") similarly suggest that all customers, "not just those who actually switch suppliers" stand to benefit from the proposed changes. (NGS Parties Comments at p. 3)¹ Columbia takes issue with the unsupported conclusion that all customers will benefit from the implementation of the proposed regulations at issue, and refers the Commission's attention to the well-reasoned discussion of this issue in the Comments of IEPCA. (IEPCA Comments at pp. 4-8). Columbia submits that recovery of implementation costs should be limited to the beneficiaries of the proposed regulations – the NGSs and their customers.

Specific to proposed section 62.183, Columbia acknowledges comments supporting the proposal that NGDCs provide their customer choice system operations plan electronically and online. (See e.g. Suppliers' Comments at p. 3) Such a requirement will result in easy access to pertinent information for both NGSs who are currently registered and those who wish to be registered.

Consistent with Columbia's Initial Comments, other parties have suggested that a proposed cost recovery surcharge for implementing the SCTs is a fair and equitable method for reimbursing the utilities, but they have posited that a 1307(f) proceeding, which is tailored by

¹ See also Comments of Retail Energy Supply Association at p. 6.

statute to address only gas cost issues, may not be the proper venue for the consideration of SCT cost recovery. (See e.g. Comments of Equitable and EAPA). Again, Columbia urges the Commission to reconsider the proposal to include SCT implementation cost recovery in the context of a 1307(f) case.

Finally, specific to § 62.185, Columbia suggests that this section, in addition to the definitions section, is appropriate for the stakeholder process. Tolerance bands and imbalance trading are implemented on a system-specific basis because each distribution system is unique, and therefore, has different balancing and safety requirements. For example, tolerance bands and imbalance trading are nonexistent in the average day program for the residential and small commercial class on Columbia's system, but do come into play for other NGDCs. Specific volumes and dollar amounts affecting an NGDC's system operations and reliability are appropriate for a utility-specific SCT, and not the general rule. Thus, the stakeholder group should be tasked with establishing general guidelines regarding tolerance bands and imbalance trading, around which utility-specific SCTs can be tailored.

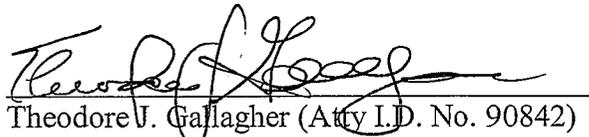
As discussed above, Columbia respectfully submits that the stakeholder process should be implemented to address the proposed regulations so that SCTs can be tailored to reflect differences in the NGDCs' administrative and operating programs. Moreover, the proposed regulations should explicitly apply to service provided only to residential and small commercial customers, and the costs of implementation should be borne by such customers or the NGSs who serve them. As noted in its Initial Comments, Columbia points out that it has long been a frontrunner in promoting customer access to competitive supply by successfully implementing changes to its tariff through negotiations with NGSs and other interested parties outside of the

context of a formal rulemaking. Again, Columbia endorses and commends to the Commission's attention the Comments submitted in this matter by the EAPA.

Respectfully submitted,

COLUMBIA GAS OF PENNSYLVANIA, INC.

By:



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Its Attorney

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