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December 16, 2009

Via Hand Delivery

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

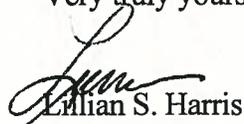
RE: Proposed Rulemaking: Natural Gas Distribution Company Business Practices; 52 Pa. Code §§62.181 – 62.185, and *S.E.A.R.C.H. Final Order and Action Plan* for Increasing Effective Competition in Pennsylvania's Retail Natural Gas Supply Services Market, Docket Nos. L-2009-2069117 and I-00040103F0002; **REPLY COMMENTS OF THE PEOPLES NATURAL GAS COMPANY d/b/a DOMINION PEOPLES**

Dear Secretary McNulty:

Enclosed for filing with the Commission please find an original and fifteen (15) copies of the Reply Comments of The Peoples Natural Gas Company, d/b/a Dominion Peoples in the above-captioned matter.

Please direct any questions that you may have regarding this filing to me.

Very truly yours,



Lillian S. Harris

*Counsel for The Peoples Natural Gas Company,  
d/b/a Dominion Peoples*

LSH/cll

Enclosures

cc: Patricia Krise Burket (via email)  
Annunciata Marino (via email)  
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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Proposed Rulemaking: Natural Gas	:	Docket No. L-2009-2069117
Distribution Company Business Practices;	:	
52 Pa. Code §§62.181 – 62.185	:	
	:	
S.E.A.R.C.H. Final Order and Action Plan for	:	Docket No. I-00040103F0002
Increasing Effective Competition in	:	
Pennsylvania’s Retail Natural Gas Supply	:	
Services Market	:	

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**REPLY COMMENTS OF  
THE PEOPLES NATURAL GAS COMPANY  
d/b/a DOMINION PEOPLES**

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The Peoples Natural Gas Company, d/b/a Dominion Peoples, (“Dominion Peoples”) submits these Reply Comments in accordance with the schedule established by the Pennsylvania Public Utility Commission’s (“Commission”) in this rulemaking regarding proposed regulations standardizing natural gas distribution company (“NGDC”) business practices, operating rules and supplier coordination tariffs (“Business Practices Order”). These Reply Comments respond to Comments filed by other interested stakeholders on December 1, 2009.<sup>1</sup> Dominion Peoples also joins in and supports the Reply Comments filed today by the Energy Association of Pennsylvania (“EAPA”).

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<sup>1</sup> Dominion Peoples fully supports the concept of a stakeholder process to address the many details of the proposed regulations governing business practices. Dominion Peoples anticipates that issues not explicitly addressed here could arise during the course of that process. Dominion Peoples reserves the right to respond to such issues throughout the course of this matter.

## **I. REPLY COMMENTS**

### **A. Daily Balancing Should be Retained as an Option for NDGCs.**

As part of its comments regarding the definitional section of the proposed regulations (Section 62.182), The Retail Energy Supply Association (“RESA”) recommends revising the definition of “Balancing” to eliminate daily balancing. RESA alleges that daily balancing produces additional costs with little opportunity for suppliers to mitigate those costs. RESA Comments at 5. Based on this single statement, RESA concludes that balancing should be done on a monthly or seasonal basis only. RESA proposes an adjustment to the definition of “Balancing” that would effectively prohibit daily balancing altogether.

Dominion Peoples disagrees with the RESA’s unsupported concept of eliminating daily balancing, particularly in the context of a generic rulemaking regarding NGDC business practices. Consistent with rules stated in its tariff, Dominion Peoples currently uses daily balancing for residential and certain essential human needs commercial customers served under its Priority One Pooling Program and it works well<sup>2</sup>. RESA’s suggested change to the definition of “Balancing” would be a sea change -- effectively nullifying Dominion People’s entire Priority One Pooling Program, which is premised upon the use of daily balancing to effectively operate. As the proponent of a tariff change, RESA carries the burden to prove that the change would be in the public interest. RESA has made no such showing and its proposed change should be rejected as lacking merit.

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<sup>2</sup> Approximately one-third of Dominion Peoples’ residential customers participate in the Priority One transportation program.

**B. Proposed Section 62.184 Governing NGDC Cost Recovery Should be Revised, Not Eliminated.**

Many stakeholders take issue in their comments with the proposed NGDC cost recovery provision (Section 62.184). Some advocate its removal and some advocate its revision. The latter course is the right one.

The Office of Consumer Advocate (“OCA”) voices a general concern that the costs of establishing NGDC business practices should not outweigh the benefits to consumers. Dominion Peoples agrees. However, OCA’s suggested fix – the elimination of Section 62.184 – is not the right answer. In Dominion Peoples’ view, the stakeholders should work together with the Commission to craft an appropriate cost recovery provision.

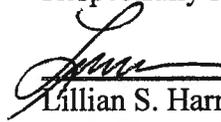
The Office of Small Business Advocate (“OSBA”) suggests that cost recovery should be through NGDC base rates and not a surcharge mechanism. Dominion Peoples, which has a successful choice program on its system, disagrees with OSBA’s claim that the rate case lag would give NGDCs the proper incentive to minimize costs related to natural gas competition. OSBA’s suggested course would tend to discourage NGDCs from incurring the costs required to employ the business practices required by the proposed regulations. This is counter to the whole intent of the S.E.A.R.C.H. process and this rulemaking. Allowing NGDCs to fully recover easily-identifiable costs through a surcharge mechanism is in the public interest and should be pursued

Finally, various suppliers opine that the anticipated NGDC costs related to this rulemaking should be limited to one-time costs – costs that will not likely be on-going. Dominion Peoples suggests that the Commission should establish the cost recovery mechanism to allow full recovery of costs related to implementation of the revised business practices called for in this rulemaking after the Commission receives valuable input in the stakeholder process.

## II. CONCLUSION

Dominion Peoples appreciates the opportunity to submit these Reply Comments and looks forward to participating in the contemplated stakeholder process.

Respectfully submitted,



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Dated: December 16, 2009