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June 16, 2011

VIA HAND DELIVERY

Rosemary Chiavetta, Esq.
Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

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SECRETARY'S BUREAU

**Re: Natural Gas Distribution Companies and Promotion of Competitive Retail Markets,
Docket No. L-2008-2069114**

Dear Secretary Chiavetta,

In response to the Secretarial Letter dated June 9, 2011 concerning the above-referenced docket, the Energy Association of Pennsylvania (“EAP” or “Association”) files comments to various clarification issues highlighted by the Pennsylvania Public Utility Commission (“Commission” or “PUC”) in that letter.

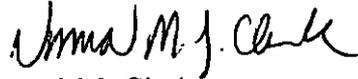
Initially, the Association and its natural gas distribution company (“NGDC”) members generally support the proposed modifications detailed in the bullet points 1 – 3 and 6 – 8 in the June 9 Secretarial Letter. With respect to bullet point 4 which provides “[u]se the term “PGC” in section 62.223(a)(1) since it is already defined”, the Association prefers the language set forth in the proposed regulation dated January 13, 2011 which used the phrase “the gas cost commodity rate determined in the NGDC’s section 1307(f) proceeding...” in lieu of “PGC”. EAP contends that the language in the January 2011 version more accurately reflects the gas cost components that are to be moved into the PTC. The term “PGC” arguably includes costs other than commodity related costs such as “balancing service and demand or capacity charges” which the Association does not believe the Commission intends to move into the PTC.

Additionally, with respect to bullet point 5, the Association believes the changes made provide greater clarity, particularly with respect to excluding costs related to transportation and storage. The Association continues to be concerned, however, that unavoidable costs related to gas procurement will be included in the PTC to the detriment of non-shopping customers who will be required to subsidize shopping customers. Moreover, as noted by Commissioner Christy, the “required unbundling of unavoidable expenses may result in stranded costs.” This issue along with the inclusion of the E-factor in the PTC undermines the efforts of the

Commission to provide consumers with the ability to make an “apples to apples” comparison between the price offered by utilities for the commodity and the price quoted by suppliers.

Finally, the suggestion by the commission in its January Order that an adjustment will be considered “if, in the future, the NGDCs SOLR function decreases to such an extent that its gas procurement costs received through SOLR rate are not adequate to support its residential gas procurement rate,” does not provide the certainty afforded under a system where unavoidable costs remain in base rates. Thus, with respect to bullet point 5, the Association supports the suggested language changes but respectfully questions the underlying policy direction.

Very truly yours,



Donna M.J. Clark
Vice President and General Counsel

cc: Robert F. Powelson, Chairman
John F. Coleman, Jr., Vice Chairman
James H. Cawley, Commissioner
Wayne E. Gardner, Commissioner
Tyrone J. Christy, Commissioner
Bohdan Pankiw, PUC
David Screven, PUC