

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Interim Guidelines for Natural Gas :
Distribution Company Eligible :
Customer Lists : Docket No.: M-2012-2324075

**COMMENTS OF NATURAL GAS SUPPLIERS
TO TENTATIVE ORDER**

The Natural Gas Supplier Parties (“NGS Parties”), which include Shipley Choice, LLC d/b/a Shipley Energy (“Shipley”), Interstate Gas Supply, Inc. d/b/a IGS Energy (“IGS”) and Dominion Retail, Inc. d/b/a Dominion Energy Solutions (“DES”), hereby offer the following Comments to the Commission’s Tentative Order entered September 27, 2012 in the above-captioned proceeding. The NGS Parties greatly appreciate the Commission’s Tentative Order as it addresses an important facet of the central issue in the ongoing efforts to increase the competitiveness of the natural gas industry, namely, ensuring that default service is not provided with subsidies or advantages over competitive alternatives. Establishing fair and consistent requirements for all Natural Gas Distribution Companies (“NGDC”) for the provision of customer lists to NGSs and the ongoing maintenance of those lists, will resolve and eliminate what for some NGDCs, continues to be a substantial advantage for supplier of last resort (“SOLR” or “default”) service. Accordingly, the NGS Parties thank the Commission for its effort, and offer their comments to the specific provisions of the Tentative Order.

Introduction

As recounted by the Tentative Order, the NGS Parties have experienced various levels of difficulty over the past several years with certain NGDCs either refusing to provide customer lists at all, or refusing to provide certain information as part of customer lists that had previously been included or should have been included. In some cases, the NGS Parties also have faced substantial fees imposed by NGDCs for providing the customer lists, which fees did not appear to be cost based, or equitable when compared to the fees charged by other NGDCs within and outside of Pennsylvania.

The NGS Parties appreciate the Commission's effort to standardize the requirements across the Commonwealth, which will create a more level playing field by allowing NGSs access to the same customer information as the utility uses for default service on the same or similar terms and conditions.¹ The proposed changes will have an immediate and beneficial impact upon an NGS's ability to provide timely service to customers, including timely enrollments and will allow them to more effectively market to customers in the Commonwealth.

At the outset it is important to note that the NGS Parties agree with the three (3) guiding principles stated by the Commission: (1) that licensed competitive suppliers should have access to the distribution utility customer lists; 2) that licensed competitive suppliers must absolutely safeguard the confidentiality of customer information on the same basis as the utilities; and, 3) that customers should have the opportunity to restrict the release of all of their account information, only the historical data, or none of their account information. The NGS Parties would add a fourth principle; that the provision of lists should be on the same terms and conditions that the NGDC default service accesses those lists, both in terms of accessibility and cost recovery. What this means is that NGSs should not bear the cost of the NGDCs preparing

¹ 66 Pa. C.S. §§ 2203(2)&(4).

or refreshing customer lists, and it means that lists should be provided to NGSs without undo complication or delay.

The NGS Parties will respond to the specific sections of the Commission's Tentative Order below:

1. Data Points

In its *Electric Eligible Customer List Order*² the Commission included a substantial list of data points that EDCs are required to provide to EGSs. However, the NGS Parties recognize that the natural gas industry is different in at least this aspect, and agree that the ten (10) data points described in Appendix A are a good start for the natural gas industry. The NGS Parties would add to that list, however, and require that the following four additional elements also be provided: 1) Peak Demand CCF; 2) Base factor; 3) Use factor; and, 4) County.

Three of the four additional items will support and enhance NGS' ability to forecast their load, which means greater efficiency and cost savings. A brief description of these items may be helpful. "Peak Demand CCF" is a measure of the maximum amount of gas a customer could every use in a single day. This is essentially a measure of a customer's contribution to an NGDC's design day calculation, and NGDC's may make use Peak Demand CCF as one basis of their capacity assignments to suppliers. Access to this data, therefore, allows NGSs to provide more accurate pricing to customer. The other load-based data elements, Base Factor and Use Factor are used by NGDCs to predict customer usage. The base factor is, as the name implies, the base, or minimum amount of gas a customer will use on a daily basis, without regard to temperature. The use factor is the amount of gas a customer uses per heating degree day. In order to forecast a customer's usage on any given day, you would add the base factor to the

² *Interim Guidelines for Eligible Customer Lists*, Docket No. M-2010-2183412 (Final Order on Reconsideration entered, November 15, 2011)(*"Electric ECL Order"*).

product of the use factor times the number of heating degree days. It should be fairly obvious that possessing this data for prospective customers will allow suppliers to better price offers to customers and will eliminate much of the inefficiency that would otherwise occur if suppliers did not have the data. With regard to the county of residence, it helps with sales tax calculations to know the county, because some counties have different sales tax rates. In short, including these additional data elements will increase the efficacy of the list and allow suppliers access to the same types of information used by NGDCs to forecast load and/or assign capacity obligations.

The NGS Parties also agree with the Commission that telephone numbers need not be provided as part of the list. The NGS Parties respect customer privacy and understand and appreciate the positions of those who oppose the release of their telephone numbers. Moreover, suppliers wholeheartedly agree that they should be required to maintain the confidentiality of customer information. The non-release of customer telephone numbers also makes operational sense, because suppliers are subject to the “Do Not Call” restrictions. What that means is that before NGSs would use NGD-provided numbers, they would first need to ensure that the telephone numbers are correct, and then verify that the number was not on the appropriate “Do Not Call” lists. For those suppliers that do telemarketing or otherwise require telephone numbers, it simply makes more sense for them to acquire the telephone numbers on their own, rather than relying upon the utilities’ lists. In short, the NGS Parties agree with the continuing position regarding release of telephone numbers.

2. Solicitation of Customers

The NGS Parties agree that it is important for customers to have the opportunity to opt-out of providing all of their customers information, a subset of that information (historical usage data), or none of their information to suppliers. It is vital to maintain the opt-out nature of this

process so that the majority of customers' information remains on the list. Customers that do not want to receive offers of information must take the steps necessary to ensure that they do not receive them. This process operates on the same premise as the "Do Not Call List" -- customers must take action to avoid receiving communication. The system appears to be working well in the electric industry and the NGS Parties urge its continuance here.

The Tentative Order contains a number of requirements and options for soliciting customers. For reference, the NGS Parties have summarized those requirements as follows:

A. Initial Solicitation

1) If the NGDC has not solicited customers (typically via postcard) to opt-out within the 12 months immediately prior to the effective date, they must do so within 90 days following that effective date; or,

2) If the NGDC has solicited its customers within the 12 months immediately prior to the effective date, it should re-solicit those customers within the 12 months following the effective date.

B. Ongoing Solicitation

3) NGDCs should solicit customers annually to opt-out; or

4) The Commission will consider ongoing activities in place of annual solicitations; such ongoing activities include: notifying new/moving customers through welcome packages, periodic announcements in bill inserts, customer newsletters, or announcement on the actual bill.

C. Triennial List Refresh

5) Every 3 years NGDCs will have to start over with a completely new list and solicit all customers.

With regard to the timing of the implementation, the Commission's proposed options for the initial solicitation are practical and logical. The same is true with the Commission's requirements that NGDCs develop an entirely new list every 3 years, by presenting all customers with the option to opt-out, and completely refreshing the list. As the number of customers participating in Choice increases, more customers will understand that one easy way to participate in the choice market and remain current on what prices and terms are available, is NOT to opt out, and consequently allow one's information to be provided, so that one can receive offers from competitive suppliers.

There is one notable requirement, however, that does not appear to be expressly stated in the Tentative Order. Specifically, there is no mention of a requirement that NGDC's re-run, or regenerate the customer list from their customer records and the frequency of that effort. The NGS Parties submit that the list should be re-run monthly and then posted in a secure area on the NGDC website. This requirement is vital to maintain the benefit of the list data for NGSs, because without it, the monthly changes in customer status would make the list much less useful, and the utility of the list would decline monthly.

The NGS Parties also submit that the NGDC efforts to refresh the customer list should also be used as customer education opportunities. The Commission could require that NGDCs include material that explains to customers the benefits of releasing their information and to inform customers about their ongoing choice options, which some customers may otherwise forget or may not be aware of.

If the customer lists are not completely refreshed periodically, those lists and the choices customers make will become stale and over time the lists will provide much less useful information to NGS. The NGS Parties could agree, however, that some flexibility may be

warranted. That is, the Commission could allow the triennial refresh interval to vary slightly, by no more than 6 to 12 months, if NGDC could show that a different period would serve the same purpose as adequately.

3. Frequency Of Future Solicitations

The Commission proposes that NGDCs solicit customers annually to allow them to modify their opt-in or opt-out selection, but will consider ongoing activities as alternatives to this annual requirement. While the NGS Parties agree that NGDCs should be required to provide each new or moving customer, through the welcome package, with an opportunity to opt out of releasing their information³ and they agree that informing customers on an ongoing basis, by way of bill inserts or other incidental communications, on how to exercise their option to opt-out (by calling the NGDC or through the internet) is an excellent option. However, there is a point at which presenting the option to customers too frequently may imply to customers that they should opt-out, which would be unfortunate. Moreover, each solicitation, and particularly dedicated solicitations, involves costs that will be recovered from customers.

Accordingly, the NGS Parties urge caution in imposing an annual postcard or other dedicated solicitation requirement. Since we know that a significant number of customers either initiate new service, or move to a new address within the utility service territory within any given year, the requirement to provide an opt-out opportunity to new and moving customers is absolutely necessary to ensure that NGDC records are accurate, and will capture the vast majority of the variability of the customer list over the short term. Again, this opportunity should continue to be provided on an opt-out basis. Moreover, customers who have opted out should be reminded on a periodic basis that there are benefits of choice, and that if they opt to

³ This opportunity should be accompanied by information explaining to customers that they have a choice of natural gas suppliers, and explaining the benefits of choosing a competitive supplier.

not receive information from competitive suppliers, those benefits might simply pass them by. Such discussions, however, need not be made in a dedicated communication, but rather, could share space with other communications vehicles, such as in a bill stuffers or customer newsletters. As always, any discussion with customers as to whether to opt-out should be accompanied by adequate information so the customers understand the full ramifications of the choices they make.

4. Expense of Solicitations

The NGS Parties support the Commission's tentative finding that the preparation, maintenance and distribution of eligible customer lists is a legitimate business expense for the NGDCs. The costs of providing and maintaining customer lists that allow equal access to the distribution system functions should therefore be recovered through base rates. Without the provision of customer lists, the NGSs would be left to guess as to what customers in a particular geographic area were actually receiving service from the utility, and it would severely hamper the enrollment process both for the NGS and the NGDC, and would create havoc in the industry.

It should not be forgotten that a number of NGSs in the Commonwealth are also EGSs, and providing customer lists to NGSs on the same terms as in the electric industry may allow those entities to combine lists to make offers for both electricity and natural gas at the same time and in the same envelope, thus saving expense. This eventually saves customers money as well, as competitive suppliers are able to trim their costs. Nonetheless, the cost of these requirements clearly are an appropriate business expense for an NGDC.

Accordingly, the customer lists should be provided without cost to the NGSs, as discussed above. By maintaining and posting these lists on a secured website in a format that is accessible by NGSs and not the public, the NGDC can actually reduce the costs of providing

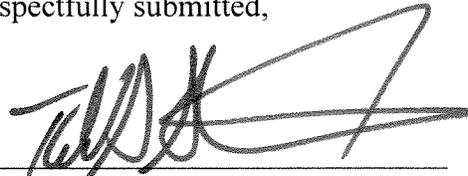
these lists to suppliers. The lists that are thus provided should be regenerated monthly to ensure that the ebb and flow of customers onto and off of the system does not imperil the accuracy of the list. Once an NGDC has created the infrastructure for processing these lists and posting them on a monthly basis, the ongoing incremental cost should not be significant.

Accordingly, the NGS Parties agree with the Commission's intention to recover the cost of this provision through base rates as opposed to levying fees or surcharges on the suppliers or specific groups of customers.

Conclusion

NGS Parties appreciate the Commission's effort to create statewide uniformity and requirements that NGDC provide eligible customer lists on a timely basis and at no cost to the suppliers. We look forward to assisting the Commission further in this endeavor.

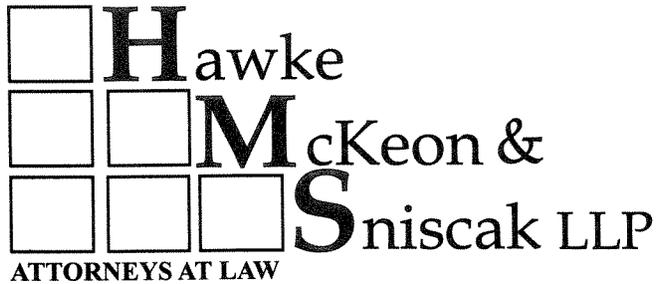
Respectfully submitted,



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VIA ELECTRONIC FILING AND HAND DELIVERY

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

RE: Interim Guidelines for Natural Gas Distribution Company Eligible Customer Lists;
Docket No. M-2012-2324075;

Dear Secretary Chiavetta:

Enclosed for filing with the Commission is the original of the Comments of Natural Gas Suppliers to Tentative Order.

If you have any questions, please do not hesitate to contact me.

Very truly yours,

Todd S. Stewart
*Counsel for Shipley Energy Company,
Dominion Retail, Inc., and Interstate
Gas Supply, Inc.*

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Enclosure