



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

NEW

DOCKETED

JUN 13 1997

JUNE 2, 1997

REFER TO OUR FILE

A-110008

DOCUMENT
FOLDER

JAMES M HOSTETLER ESQUIRE
CNG TOWER
525 LIBERTY AVENUE
PITTSBURGH PA 15222

Application of CNG Retail Services Corporation for issuance of a license to become an electric generation supplier.

A-110008

To Whom It May Concern:

This is to advise you that an Opinion and Order has been adopted by the Commission in Public Meeting on May 22, 1997, in the above entitled proceeding.

An Opinion and Order has been enclosed for your records.

Very truly yours,

John G. Alford,
Secretary

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Cert.Mail

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PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17105-3265

Public Meeting held May 22, 1997

Commissioners Present:

John M. Quain, Chairman
Robert K. Bloom, Vice Chairman
John Hanger
David W. Rolka
Nora Mead Brownell

DOCUMENT
FOLDER

Application of CNG Retail Services Corporation
for issuance of a license to become an electric
generation supplier

Docket No. A-110008

OPINION AND ORDER

DOCKETED
JUN 13 1997

BY THE COMMISSION:

On March 14, 1997, CNG Retail Services Corporation ("CNGRSC") filed an Application seeking to become a licensed electric generation supplier in the Commonwealth of Pennsylvania. On April 24, 1997, the Commission extended the consideration period to May 23, 1997. The application was filed pursuant to a Final Order entered on February 18, 1997, at Docket No. M-00960890 F.0004. The February 18, 1997 Order dealt with Chapter 28 Electricity Generation Customer Choice and Competition Act licensing requirements for electric generation suppliers.

§2809 provides in pertinent part that:

License Requirement.--No person or corporation, including municipal corporations which choose to provide service outside their municipal limits except to the extent provided prior to the effective date of this chapter, brokers and marketers, aggregators and other entities, shall engage in the business of an electric generation supplier in this Commonwealth unless the person or corporation holds a license issued by the Commission. 66 Pa. C.S. §2809.

An electric generation supplier is defined as:

A person or corporation, including municipal corporations which choose to provide service outside their municipal limits except to the extent provided prior to the effective date of this chapter, brokers and marketers, aggregators or any other entities, that sells to end-use customers utilizing the jurisdictional transmission and distribution facilities of an electric distribution company, or that purchases, brokers, arranges or markets electricity or related services to end-use customers utilizing the jurisdictional transmission and distribution facilities of an electric distribution company. 66 Pa. C.S. §2803.

CNGRSC is a wholly-owned subsidiary of CNG Energy Services Corporation (CNGESC), and one of 14 affiliates of Consolidated Natural Gas Company (CNG) currently conducting energy-related and other businesses in Pennsylvania. CNGRSC was incorporated in January, 1997 for the initial purpose of offering consumer services, including electric supply and electric supply generation to individual consumers. In Pennsylvania, CNGRSC proposes to offer such services using the registered fictitious name of "Peoples Energy." CNGRSC plans to purchase energy through CNGESC, whose qualifications follow.

CNGESC is a wholly-owned subsidiary of CNG which was formed to compete in the unregulated wholesale energy marketplace. CNGESC, through the Company's power marketing arm known as CNG Power Services Corporation, provides electric power marketing. CNGESC sells over 1.5 Bcf per day of gas to large industrials and local utilities and controls over 9 Bcf of storage. CNGESC began marketing power, mostly in the Northeast, in January of 1995, quickly growing to be the fourth largest electric power marketer in the nation in 1995 with nearly 2 million megawatt hours (Mwh) of sales. Sales volumes for 1996 were expected to exceed 5 million Mwh.

CNGESC, based in Pittsburgh, has expanded its presence beyond the Northeastern U.S. becoming a continental energy company. It is a member of the Western Systems Power Pool and has regional offices in Portland, Oregon and Orinda, California to serve the needs of customers in the West. CNGESC also has a regional office in

Atlanta, Georgia to serve Mid-Atlantic and Southeastern customers and a regional office in Pittsburgh to serve customers in the Midwest, East and Northeast. A 24-hour electric trading and scheduling operation is located at CNGESC's headquarters in Pittsburgh, to manage the company's growing presence in the electric power marketing business. With a staff of more than 20 power marketing people, CNGESC has a highly skilled and effective energy risk management and trading operation that is dedicated to helping its customers achieve their goals. CNGESC provides a full array of risk management and trading products and services for both power and natural gas. These services include commodity futures, fixed pricing, hedging, collars, options, basis swaps, and arbitrage. CNGESC was one of the first participants in the New York Mercantile Exchange (NYMEX) trading of electricity futures contracts and the Kansas City Board of Trade (KCBOT) trading of gas futures contracts.

It is important to note that a licensee must comply with, and be governed by, our Chapter 56 regulations. Thus, we deem it appropriate to reiterate certain items with respect to Chapter 56 of our regulations. Chapter 56 (52 Pa Code Chapter 56) is applicable only to residential accounts. An electric generation supplier cannot physically disconnect a customer from the electricity grid, and the service termination provisions are not applicable. An electric generation supplier may seek to terminate its generation service through an appropriate written notice to the customer and the distribution company. The customer can then attempt to repair their relationship with the supplier, seek a new supplier, or default to utility service at capped rates in accordance with the local electric distribution utility's obligations under Section 2807(e). 66 Pa. C.S. §2807(e). The customer would only be disconnected from the electricity grid pursuant to Chapter 56 if the customer failed to meet their obligations to the utility or the provider of last resort.

Additionally, we take this opportunity to once again remind the licensee that its officers, representatives and employees have agreed to lawfully abide by all Commission regulations, procedures and orders, including Emergency Orders which may

be issued verbally, or in writing during any emergency situations that may unexpectedly develop from time-to-time in the course of doing business in Pennsylvania.

CNGRSC will offer, render, furnish or supply electricity or electric generation services as a Broker/Marketer and/or Aggregator in the business of supplying electricity to the public. Services will be offered to all customers throughout the Commonwealth of Pennsylvania

CNGRSC has provided proofs of publication from the Pennsylvania newspapers in which it was required by the Commission to publish its notice of application. Sufficient information was included in CNGRSC's Application to demonstrate its technical and financial fitness in order to be licensed to operate as an Electric Generation Supplier in Pennsylvania.

CNGRSC has furnished a copy of its \$250,000 bond, which will expire on April 1, 1998.

As of May 12, 1997, no protests have been filed.

We find that the applicant:

1. Is fit, willing and able to properly perform the service proposed in conformance with applicable provisions of the Public Utility Code and the lawful Commission orders and regulations, specifically including 52 Pa. Code Chapter 56 (relating to Standards and Billing Practices for Residential Utility Service).
2. Has agreed to lawfully abide by all Commission regulations, procedures and orders, including Emergency Orders which may be issued verbally, or in writing during any emergency situations that may unexpectedly develop from time-to-time in the course of doing business in Pennsylvania.

3. That the proposed service to the extent authorized by the license, will be consistent with the public interest and the policy declared in the Electricity Generation Customer Choice and Competition Act.

Upon full consideration of all matters of record, we find that approval of this application is necessary and proper for the service, accommodation and convenience of the public;

THEREFORE,

IT IS ORDERED:

1. That the application of CNG Retail Services Corporation is hereby approved, consistent with this Opinion and Order.

2. That an interim license be issued authorizing CNG Retail Services Corporation the right to begin to offer, render, furnish or supply electric generation supplier services to the public in the Commonwealth of Pennsylvania.

3. That this interim license is granted contingent on the applicant providing the original and two copies of a security bond or other acceptable financial document in the amount of \$250,000 complying with the requirements as set out in the appendix to this order.

4. That the effective date of the interim license will be the date that the Prothonotary acknowledges receipt of the original and two copies of the bond or financial document that complies with the requirements as set out in the appendix to this order.

5. That the Docket be closed.

BY THE COMMISSION,



John G. Alford
Secretary

(SEAL)

DATE ADOPTED: May 22, 1997

DATE ENTERED: **JUN - 2 1997**

SENDER:

- Complete items 1 and/or 2 for additional services.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
 - 2. Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to

JAMES M HOSTETLER ESQUIRE
ONE TOWER
625 LIBERTY AVENUE
PITTSBURGH PA 15222
A-110008

0/0

4a. Article Number

P 968 022 874

4b. Service Type CERTIFIED

7. Date of Delivery

6/4/97

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)

X *James Salter*

8. Addressee's Address (Only if requested and fee is paid)

KJR

PS Form 3811, January 1996

Domestic Return Receipt

APPENDIX

Electric Generation Supplier Interim License Bonds

Bonds submitted in order to comply with the interim licensing process must comply with the following:

The bond in the amount of \$250,000 should name the Pennsylvania Public Utility Commission as the obligee or beneficiary, and should contain the following language:

This bond is written in accordance with Section 2809(c)(1)(i) of the Public Utility Code, 66 Pa. C.S. § 2809(c)(1)(i), to assure compliance with applicable provisions of the Public Utility Code, 66 Pa. C.S. §§101, et seq. and the rules and regulations of the Pennsylvania Public Utility Commission by the Principal as a licensed electric generation supplier; to ensure the payment of Gross Receipts Tax as required by Section 2810 of the Public Utility Code, 66 Pa. C.S. § 2810; and to ensure the supply of electricity at retail in accordance with contracts, agreements or arrangements. Payments made pursuant to this bond shall enure first to the benefit of the Commonwealth, and second, to any and all retail electric generation customers to whom the Principal may be held legally liable for failure to supply electric generation pursuant to contract, agreements or arrangements. Any claims made by the Commonwealth shall have priority over claims made by private individuals. Proceeds of the bond may not be used to pay any penalties or fines levied against the Principal for violations of the law, or for payment of any other tax obligations owed to the Commonwealth.

The original and two copies of the bond must be submitted to the Office of the Prothonotary, Pa. Public Utility Commission, P.O. Box 3265, Harrisburg, PA 17105-3265. An approved copy of the bond will be returned with a letter acknowledging receipt of the bond. The date of the acknowledging letter will be the effective date for the interim license.