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December 12, 2012

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Re: Investigation of Pennsylvania's Retail Natural Gas Supply Market
Docket No. I-2013-2381742

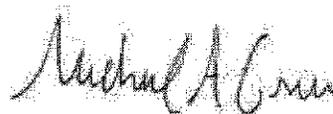
Dear Secretary Chiavetta:

Enclosed for filing are the Comments of IDT Energy, Inc. in the above-captioned matter.

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

Best Regards,

STEVENS & LEE



Michael A. Gruin

Encl.

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Investigation of Pennsylvania's
Retail Natural Gas Supply Market**

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Docket No. I-203-2381742

Comments of IDT Energy, Inc.

Introduction

IDT Energy, Inc. ("IDT") hereby files these comments in response to the Commission's September 12, 2013 Order which initiated the Natural Gas Retail Markets Investigation ("RMI"). IDT has been licensed as a Natural Gas Supplier ("NGS") in the Commonwealth of Pennsylvania since 2009. IDT is also currently licensed as an NGS in New York, New Jersey, Maryland, and the District of Columbia. IDT believes that the time is ripe for this investigation, and appreciates the opportunity to provide comments to assist the Commission in evaluating actions that can be taken to ensure a properly functioning and competitive retail natural gas market in Pennsylvania

Comments

- 1. What is the current status of retail natural gas competition for customers, by class and by service territory, and for NGSs? For each such customer class and service territory, how accessible are competitive suppliers?**

The vast majority of industrial and large commercial customers have taken advantage of competitive choice for some time. These customers, who typically have large volumes and

more level loads, are highly sought after by NGS's. Small volume commercial and residential customers present delivery issues due to storage and demand constraints, which has resulted in a less robust market for these customers. However, with a Purchase of Receivables ("POR") program in place in most utility footprints, smaller volume customer can be reliably serviced by NGS's.

2. Are currently effective NGDC rates properly structured to reflect the separation between the costs of the NGDC's role as a distribution utility and its role as a Supplier of Last Resort (SOLR)?

Operational and capacity related costs have been unbundled adequately, provided that NGDCs properly account for actual costs. But there is a lack of transparency on this issue which if addressed would further identify associated costs. The embedded costs related to the merchant function of supplying natural gas that may be merged into delivery costs has yet to be fully evaluated and addressed. That is, when a customer leaves the NGDC for a supplier, embedded delivery costs remain the same for that customer regardless of who the supplier is. Other State Commissions have identified merchant function-related costs that should be stripped out of a customer's charges when they are supplied by an NGS, and this Commission is encouraged to do the same. This alone would create a greater incentive for the customer to switch to an NGS, and would further the competitive market and participation by NGSs.

3. Does the existing market design of NGDCs serving as the SOLR present barriers that inhibit customer choice or prevent suppliers from fully participating in the retail market?

Yes, to some degree. As noted in the comment to question 2 (above), there needs to be an accounting of the costs that NGDCs shed when they do not supply a customer. The Commission moved in that direction, but should complete the process by requiring NGDCs to return those

costs embedded in delivery charges to customers whom they do not supply. In some instances, these costs could be as high as 2 or 3 cents per therm of throughput.

4. Should NGDCs continue in the role of SOLR?

Ideally the NGDC would exit this SOLR role, but there are several issues that would need to be addressed in order for this to be accomplished. First, there may be a reliability issue related to capacity ownership. And secondly, because NGDCs provide POR billing services and are the only entities with the ability to terminate service for non-payment, it is unlikely that the NGDC can entirely exit this function. The market may benefit from a structure where the NGDC would retain short term SOLR responsibilities for customers that are in transition from NGS to NGS or are new to the NGDC system. These customers would be required to choose an NGS or be placed with one within a certain time frame rather than remain with the NGDC. The NGDC would retain capacity and storage rights, assign these rights to the supplying NGS, and recall them as needed to assure that these assets remain intact and available to supply any customer at any time.

5. Are there enhancements and updates to the current SOLR model that would further improve the state of competition within the retail natural gas market?

- a. Are there opportunities through the potential restructuring of the SOLR model and retail gas market to encourage expansion of natural gas distribution facilities into areas of the Commonwealth that do not currently have access to natural gas facilities?**

IDT does not have any specific comments on this point, but looks forward to reviewing the comments of other parties on this issue.

- b. Are there changes to the retail natural gas market that the Commission can undertake *de novo* through regulation or policy that would promote retail natural gas competition?**
- c. Are there changes to the retail natural gas market that the Commission can undertake *de novo* through regulation or policy that would remove barriers to retail natural gas competition?**

The steps taken to date have started the process of promoting a robust and competitive marketplace. IDT encourages the Commission to focus on implementing policies which identify embedded costs and remove those costs from the bills of customers who are supplied by NGSs. This will promote competition and allow the market to move towards the desired end state of the NGDC exiting the merchant function.

- d. What legislative changes should be made to further improve the retail natural gas market in Pennsylvania?**

The PA gas delivery system is unique in that it includes multiple delivery points and a large portion of local production from legacy Medina/Whirlpool sandstone wells and recently developed Marcellus Shale well fields. The delivery function must be addressed to accommodate capacity and storage issues. A reliability focused approach must occur in order to protect consumers while also taking full advantage of the local production in order to get the most value out of these energy assets. A review of how storage and production assets are assigned and how costs are recovered is in order. Ten years ago when many of the rules for NGSs were implemented the prolific Marcellus Shale production didn't exist. The rules need to be reviewed and modified accordingly.

6. Are there outcomes from the Commission's recently completed electric RMI that would be applicable and useful to implement in the retail gas market? To the extent possible, please provide comments on the following topics:

- a. Seamless Move**
- b. Accelerated Switching Timeframes**
- c. Standard Offer Program**
- d. Low-income customer shopping**
- e. Expanded Consumer Education about shopping**
- f. Any additional RMI initiative that would translate well to the retail natural gas market**

IDT believes the Commission should consider each of the potential market enhancements noted above. While all may not be feasible in the natural gas market, it makes sense to consider such measures and to apply any lessons learned from the Electricity RMI. In particular, IDT believes that there is a need for greatly expanded consumer education about the benefits and availability of natural gas supply shopping. An expanded education program will promote competition and ultimately will reduce natural gas costs for consumers.

7. To take advantage of the opportunity that is present through the Marcellus Shale resource, should NGDCs and NGSs be encouraged to explore opportunities with natural gas exploration and production companies?

Utilizing available assets in the most efficient manner is a by-product of an open and competitive market. Creating the structure where NGS's can identify opportunities will lead to these types of affiliations naturally.

8. Recognizing that the Commission withdrew the proposed rulemaking addressing NGDC business practices at Docket No. L-2009-2069117 and committed to commencing a new proposed rulemaking on these issues, please provide comments on the continued need to address standardized supplier tariffs and business practices with regard to imbalance trading, tolerance bands, cash out and penalties, nominations and capacity.

IDT believes that greater uniformity in NGDC tariffs and business practices is critical to a truly robust and competitive market. Without a significant move towards more uniformity, the competitive market will continue to be hindered, and the goal of the NGDC exiting the merchant function will not be achievable.

Respectfully Submitted,

Wayne Stoughton
Vice President Customer Service and
Regulatory Affairs
IDT Energy, Inc