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October 13, 2014

Rosemary Chiavetta  
Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**RE: INVESTIGATION OF PENNSYLVANIA'S RETAIL NATURAL GAS SUPPLY MARKET  
DOCKET NO. I-2013-2381742**

Dear Secretary Chiavetta:

The Penn State Facilities Engineering Institute (PSFEI) provides advisory engineering services to the Pennsylvania Department of General Services Bureau of Procurement and the Pennsylvania State System of Higher Education for natural gas and electricity utility and commodity procurement issues.

It is because of our work and our knowledge of the markets that we provide the following comments regarding the above referenced investigation of the retail natural gas supply market. Please note that we are commenting on three specific areas of the market investigation.

**4. Assignment of Capacity and Use of Storage Assets**

Natural Gas Distribution Companies (NGDCs) have the option to release, assign, or transfer capacity, on a nondiscriminatory basis, to third-party gas suppliers or industrial customers on specific NGDC tariff rates. Those suppliers are required to accept such a capacity release, assignment, or transfer. We believe this practice to be anti-competitive.

In PSFEI's experience, small firm service, non-residential customers wishing to take advantage of competitive third-party gas supply are often economically confined by annual consumption quantity to transportation tariff rates requiring the use of NGDC-owned capacity. When compared to open-market capacity, NGDC-owned capacity is often expensive and risky enough that third-party suppliers refuse to provide basis or fixed pricing offers to both prospective and current customers. Due to this, many existing natural gas supplier (NGS) contracts are now falling back to retail supplier of last resort (SOLR) rates from transportation rates at the end of the contract term.

PSFEI believes that mandatory acceptance of NGDC-owned capacity restricts the ability of small non-residential customers to enjoy the potential benefits of competitive third-party gas supply. We recommend that the Public Utility Commission (PUC) investigate the elimination of this practice by the NGDCs.

## 8. Seamless Moves and Instant Connects

The PUC fully supports seamless moves but is “hindered only by the current limitations of NGDC account information systems.” The Office of Competitive Market Oversight (OCMO) will include discussion of seamless moves and instant connects in the investigation. PSFEI supports this investigation.

## 17. Migration Riders

House Bill 1188 (HB1188) provides a modified method for NGDCs to fully recover their costs of providing SOLR services to its customers and provides for reconciliation of under-/over-collection of purchased gas costs. HB1188 is currently pending. We believe a twelve-month migration period is entirely too long and outdated. A more accurate and timely method of reconciling the actual purchased gas cost with customers for the period served is required, thereby eliminating the need to burden customers who choose to purchase natural gas from a third-party supplier.

The Migration Rider is anti-competitive by nature and is confusing for customers wishing to evaluate retail versus third-party gas supply. Customers should be able to choose their lowest cost for natural gas supply, whether that is from a deregulated supplier or the NGDC, without the concern of paying an additional migration fee. In some cases, the migration fee is substantial enough to sway a reasonably aware customer’s decision away from purchasing natural gas from a deregulated supplier.

PSFEI recommends natural gas utilities provide current natural gas cost adjustments to their monthly utility bills in lieu of a historical look-back for purchased gas cost reconciliation. Contemporary financial accounting and billing systems make such an approach more attainable and worth serious consideration.

PSFEI appreciates the opportunity to provide comments to the Pennsylvania Public Utilities Commission and looks forward to future, constructive communications. As such, we are requesting placement on the Participation List so we can provide positive constructive commentary of the wide range of natural gas and electricity regulatory matters.

Please let us know of any questions or concerns regarding the content of this letter. For future reference, following is a list of PSFEI staff and their area of specialization and contact information.

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Sincerely,



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