



800 North Third Street, Suite 301, Harrisburg, Pennsylvania 17102

Telephone (717) 901-0600 • Fax (717) 901-0611 • www.energypa.org

RECEIVED

SEP 21 2004

PA PUBLIC UTILITY COMMISSION
SECRETARY'S OFFICE

September 21, 2004

Mr. James J. McNulty
Secretary
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105

VIA HAND DELIVERY

Re: PUC Docket No. I-00040103: Investigation into Gas Competition

Dear Mr. McNulty:

Pursuant to the fourth paragraph of your September 10, 2004 letter concerning the referenced docket, the undersigned hereby requests to participate in the Commission's September 30, 2004 *en banc* hearing. Per the sixth paragraph of your letter, I will advise Ms. Helsel that I plan to use a PowerPoint presentation as a visual aid.

Your letter does not mention the service of requests to participate and I assume service is unnecessary. If service is necessary or desired, please advise.

Respectfully submitted,

A handwritten signature in cursive script that reads "Dan Regan".

Dan Regan
Vice President & General Counsel



Shell Energy

ORIGINAL

Shell Energy Services

One Shell Plaza,
Suite 4100

Houston, TX 77002

September 21, 2004

Mr. James J. McNulty
Secretary, Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

DOCKETED
DEC 01 2004

Re: Docket No. I-00040103

Dear Mr. McNulty,

Please consider this letter as my request to participate in the Commission's September 30, 2004 hearing in the above referenced docket, on behalf of Shell Energy.

Sincerely,

Harry Kingerski
Regulatory Affairs Manager
Shell Energy Services, LLC
910 Louisiana Street, Room 4100
Houston, TX 77002

REGULATORY BUREAU
11 SEP 23 PM 9:17



VINCENT A. PARISI

DIRECT DIAL: (614) 734-2649
vparisi@igsenergy.com

September 21, 2004

ORIGINAL

Commonwealth of Pennsylvania
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265
Attn: James J. McNulty, Secretary

DOCKETED
DEC 03 2004

Re: *En Banc* Hearing on Investigation into Gas Competition, Docket No. I-00040103.

Dear Mr. McNulty:

Pursuant to the letter dated September 10, 2004, please let this serve as my request to be included, on behalf of Interstate Gas Supply, Inc., as a participant in the September 30, 2004 hearing. If you have any questions, please feel free to contact me. Thank you.

Very truly yours,

Vincent A. Parisi
Chief in house Counsel

DOCUMENT
FOLDER

RECORDED
2004 SEP 23 AM 9:00
SECRETARY'S BUREAU

22



National Fuel

RECEIVED
2004 SEP 23 AM 9:23

SECRETARY'S BUREAU

Carl M. Carlotti
Vice President

September 21, 2004

DOCKETED
DEC 03 2004

ORIGINAL

James J. McNulty, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Investigation into Competition in the
Natural Gas Supply Market
Docket No. I-00040103

Dear Secretary McNulty:

Please be advised that National Fuel Gas Distribution Corporation will be represented at the *en banc* hearing scheduled for September 30, 2004, by our Assistant Vice President, Bruce D. Heine. Mr. Heine will not be submitting direct testimony, but he will be available should the Commission have any specific questions during the hearing for National Fuel. Additionally, National Fuel respectfully requests that the Commission allow Mr. Heine the opportunity to submit testimony, if necessary, to rebut or respond to any testimony or comments submitted during the hearing. Thank you.

Very truly yours,

Carl M. Carlotti

CMT/cjc

cc: B. D. Heine
All Parties of Record

**DOCUMENT
FOLDER**



ORIGINAL

800 North Third Street, Suite 301, Harrisburg, Pennsylvania 17102

Telephone (717) 901-0600 • Fax (717) 901-0611 • www.energypa.org

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DEC 03 2004

September 21, 2004

Mr. James J. McNulty
Secretary
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105

DOCUMENT
FOLDER

VIA HAND DELIVERY

Re: PUC Docket No. I-00040103: Investigation into Gas Competition

Dear Mr. McNulty:

Pursuant to the fourth paragraph of your September 10, 2004 letter concerning the referenced docket, the undersigned hereby requests to participate in the Commission's September 30, 2004 *en banc* hearing. Per the sixth paragraph of your letter, I will advise Ms. Helsel that I plan to use a PowerPoint presentation as a visual aid.

Your letter does not mention the service of requests to participate and I assume service is unnecessary. If service is necessary or desired, please advise.

Respectfully submitted,

Dan Regan
Vice President & General Counsel

SECRETARY'S BUREAU
2004 SEP 21 PM 1:29

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106

AMERADA HESS CORPORATION

KATHERINE M. EDINI
Regulatory Affairs Specialist
732-750-6414
732-750-6670 (FAX)
kedini@hess.com

1 HESS PLAZA
WOODBRIIDGE, NJ 07095-0961

VIA Overnight Mail

September 21, 2004

James J. McNulty
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, Pennsylvania 17105-3265

ORIGINAL

DOCKETED
DEC 03 2004

Re: Amerada Hess Corporation – Notification of Testimony to be Provided at *En Banc* Hearing for Investigation into Gas Competition, September 30, 2004
Docket No. I-00040103

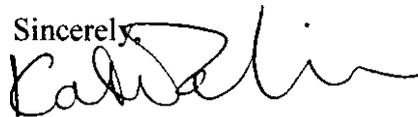
To Mr. McNulty:

This letter shall serve as formal notification that Amerada Hess Corporation (“Hess”) will participate in and present testimony at the *en banc* hearing to be held September 30, 2004 for Investigation into Gas Competition under Docket No. I-00040103. Mr. Randy Magnani, Director C&I Operations shall present the testimony on behalf of Hess.

The topics to be covered in the testimony presented by Hess shall generally include, but not be limited to, the level of competition as influenced by various factors such as the ability to operate efficiently under the current operational rules and competitive barriers.

Thank you in advance for your attention to this matter. Should you have any questions or need any assistance please don't hesitate to contact to me at (732) 750-6414.

Sincerely,



Katherine M. Edini
Regulatory Affairs Specialist

DOCUMENT
FOLDER

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SEP 22 2004

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

130

Hawke
 Mckeon
 Sniscak &
 Kennard LLP
ATTORNEYS AT LAW

ORIGINAL

William T. Hawke	Craig R. Burgraff
Kevin J. McKeon	Steven D. Snyder
Thomas J. Sniscak	Janet L. Miller
Norman James Kennard	Steven K. Haas
Lillian Smith Harris	William E. Lehman
Scott T. Wyland	Rikardo J. Hull
Todd S. Stewart	Katherine E. Lovette

100 North Tenth Street, Harrisburg, PA 17101 Phone: 717.236.1300 Fax: 717.236.4841 www.hmsk-law.com

September 21, 2004

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street – Filing Room (2nd Floor)
P.O. Box 3265
Harrisburg, PA 17105-3265

DOCKETED
DEC 03 2004

RECORDED
2004 SEP 22 AM 9:24
SECRETARY'S BUREAU

RE: Investigation Into Gas Competition; Docket No. I-00040103;
NOTIFICATION OF INTENT TO TESTIFY

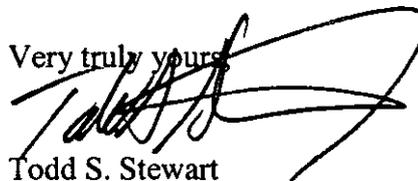
**DOCUMENT
FOLDER**

Dear Secretary McNulty:

The purpose of this letter is to convey the desire of Matthew Sommer on behalf of Shipley Energy Company to testify at the September 30, 2004 hearing in the above-captioned matter. The purpose of Mr. Sommer's appearance would be to illuminate the testimony that he provided on behalf of Shipley Energy Company in this proceeding and to address any questions that any of the Commissioners may have with regard to that testimony. We understand that the Commission will notify the parties by September 24, 2004 of the agenda and the list of witnesses who will be permitted to testify at the September 30, 2004 hearing. We also understand that should Mr. Sommer intend to present a PowerPoint presentation we will be required to provide a copy to Jill Hensel by 4:00 p.m. on the 27th of September.

If you have any questions, please do not hesitate to contact the undersigned counsel.

Very truly yours,



Todd S. Stewart
Counsel for Shipley Energy Company

TSS/kml

cc: Patricia Crise Burkett, Esquire
Robert Bennett
Matthew Sommer

MAILING ADDRESS: P.O. BOX 1778 HARRISBURG, PA 17105

20

Hawke
 Mckeon
 Sniscak &
 Kennard LLP
ATTORNEYS AT LAW

William T. Hawke
Kevin J. McKeon
Thomas J. Sniscak
Norman James Kennard
Lillian Smith Harris
Scott T. Wyland
Todd S. Stewart
Craig R. Burgraff
Steven D. Snyder
Janet L. Miller
Steven K. Haas
William E. Lehman
Rikardo J. Hull
Katherine E. Lovette

100 North Tenth Street, Harrisburg, PA 17101 Phone: 717.236.1300 Fax: 717.236.4841 www.hmsk-law.com

September 21, 2004

ORIGINAL

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street – Filing Room (2nd Floor)
P.O. Box 3265
Harrisburg, PA 17105-3265

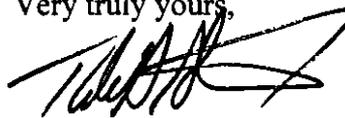
RE: Investigation Into Gas Competition; Docket No. I-00040103;
**NOTIFICATION OF DOMINION RETAIL'S INTENT TO OFFER
TESTIMONY**

Dear Secretary McNulty:

The purpose of this letter is to notify the Pennsylvania Public Utility Commission pursuant to the secretarial letter issued September 10, 2004 in the above-captioned docket that Dominion Retail wishes to offer the testimony of Thomas J. Butler at the Commission's hearing in the above-captioned matter, which currently is scheduled for September 30, 2004.

If you have any questions with regard to this notification, please do not hesitate to contact the undersigned.

Very truly yours,



Todd S. Stewart
Counsel for Dominion Retail, Inc.

DOCKETED
DEC 08 2004

TSS/kml
cc: Patricia Crise Burkett, Esquire
Robert Bennett
Thomas J. Butler
Gary Jeffries, Esquire

DOCUMENT
FOLDER

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2004 SEP 23 AM 9:05
SECRETARY'S BUREAU

MAILING ADDRESS: P.O. BOX 1778 HARRISBURG, PA 17105

23



Direct Energy

ORIGINAL

September 22, 2004

James McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Bldg, 2nd Floor
Harrisburg, PA 17120

DOCKETED
DEC 09 2004

RE: Investigation into Gas Competition Docket No. I-00040103

Dear Secretary McNulty:

As required by the September 10, 2004 Secretarial Letter, Direct Energy/Energy America hereby provides notice that we intend to participate in the September 30, 2004 hearing.

Sincerely,

Adrian Pye
Director Regulatory Affairs
Direct Energy Services LLC
Energy America LLC
(416) 590-3290

cc: Robert Bennett, Manager - FUS

DOCUMENT
FOLDER

RECEIVED
2004 SEP 22 PM 4:05
SECRETARY'S BUREAU
54

COMMONWEALTH OF PENNSYLVANIA



ORIGINAL

OFFICE OF SMALL BUSINESS ADVOCATE
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, Pennsylvania 17101

William R. Lloyd, Jr.
Small Business Advocate

September 22, 2004

(717) 783-2525
(717) 783-2831 (FAX)

HAND DELIVERED

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

DOCKETED
DEC 03 2004

**Re: Investigation into Competition in the Natural Gas Supply Market
Docket No. I-00040103**

Dear Secretary McNulty:

In accordance with the Secretarial Letter dated September 10, 2004, in the above-captioned matter, please be advised that the Office of Small Business Advocate ("OSBA") would like to participate in the *en banc* hearings to be held on Thursday, September 30, 2004.

The OSBA filed written testimony on August 27, 2004. The OSBA does intend to use a Power Point presentation on the day of the hearings.

If you have any questions, please contact me.

Sincerely,

William R. Lloyd, Jr.
Small Business Advocate

DOCUMENT
FOLDER

- cc: Karen Oill Moury, Acting Executive Director
- Veronica A. Smith, Chief Administrative Law Judge
- Susan D. Colwell, Administrative Law Judge
- Robert A. Rosenthal, Director, Fixed Utility Services
- Robert Bennett, Manager - Energy, Fixed Utility Services
- Mitchell A. Miller, Director, Bureau of Consumer Services
- Bohdan R. Pankiw, Chief Counsel
- Robert F. Young, Deputy Chief Counsel
- Patricia Krise Burket, Assistant Counsel
- Kevin F. Cadden, Director, Conservation, Economics and Energy Planning
- June Perry, Director, Legislative Affairs
- Thomas Charles, Director, Office of Communications

SECRETARY'S BUREAU

2004 SEP 22 PM 3:53

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September 22, 2004

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SEP 22 2004

via Email and Federal Express

Mr. James J. McNulty
Secretary
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105

DOCUMENT
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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Re: PUC Docket No. I-00040103: Investigation into Gas Competition

Dear Mr. McNulty:

Pursuant to your September 10, 2004 letter concerning the above docket, PECO Energy Company is notifying you that it will be represented at the Commission's September 30, 2004 *en banc* hearing. PECO is not requesting to make any presentations, nor to participate on any particular panel. However, the following representatives will be attending the hearing in the event the Commissioners or Commission Staff have any questions specific to PECO's retail choice program: Carlo Ciabattoni, Manager Electric & Gas Choice; Kurt Sontag, Senior Analyst in Electric and Gas Choice; and myself, Manager Gas Regulation and Transportation Services.

If you have any questions, please don't hesitate to contact me at (215) 841-6783. Thank you.

Respectfully submitted,

Amy E. Hamilton

Amy E. Hamilton
Manager, Gas Regulation & Transportation Services

cc: Robert Bennett

127

Thomas, Thomas, Armstrong & Niesen
Attorneys and Counsellors at Law

SUITE 500
212 LOCUST STREET
P. O. Box 9500
HARRISBURG, PA 17108-9500

www.ttanlaw.com

FIRM (717) 255-7600

FAX (717) 236-8278

CHARLES E. THOMAS, JR.

Direct Dial: (717) 255-76151

E-Mail: cthomasjr@ttanlaw.com

CHARLES E. THOMAS
(1913 - 1998)

ORIGINAL

September 22, 2004

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105-3265

DOCKETED
DEC 03 2004

FILE
SECRETARY'S BUREAU

2004 SEP 22 PM 4: 06

RECEIVED

In re: Docket No. I-00040103
Investigation into Gas Competition

DOCUMENT
FOI DED

Dear Secretary McNulty:

We are writing to you on behalf of our client Equitable Gas Company ("Equitable"), a division of Equitable Resources, Inc. in connection with the above matter.

Pursuant to the fourth paragraph of your September 10, 2004 letter in the matter, please be advised that Equitable will have its representatives Stephen C. Rafferty, Vice President - Utility Asset Management, and John Quinn, Director of Rates, present at the *en banc* hearing on September 30, 2004. Messrs. Rafferty and Quinn will be available to answer questions from the Chairman and members of the Commission and otherwise participate in the hearing as may be appropriate. Equitable does not request time to make a formal presentation at the hearing.

Please contact us at your convenience if you have any questions concerning this matter.

Very truly yours,

THOMAS, THOMAS, ARMSTRONG & NIESEN

By


Charles E. Thomas, Jr.

cc: Daniel L. Frutchey, Esquire
Stephen C. Rafferty
John Quinn

040922McNulty.wpd

93

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SEP 22 2004

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU



ORIGINAL

September 22, 2004

Mr. James J. McNulty
Secretary
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105

DOCKETED
DEC 03 2004

VIA Federal Express

DOCUMENT
FOLDER

Re: PUC Docket No. I-00040103: Investigation into Gas Competition

Dear Mr. McNulty:

Pursuant to your September 10, 2004 letter concerning the referenced docket, PG Energy wishes to participate in the Commission's September 30, 2004 *en banc* hearing. PG Energy's representative, who will be Bruce Davis, Vice President of Gas Supply & Marketing, will not testify or participate in any panels, however, he will be available to respond to specific questions the Commissioners may have concerning PG Energy.

If you have any questions or need further information, please call me at 570-829-8881 or email at bdavis@pgenergy.com.

Respectfully submitted,

Bruce Davis
Vice President Gas Supply & Marketing

129

ORIGINAL

Paul Russell
Associate General Counsel

PPL
Two North Ninth Street
Allentown, PA 18101-1179
Tel. 610.774.4254 Fax 610.774.6726
perussell@pplweb.com



September 22, 2004

DOCUMENT

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SEP 22 2004

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

FEDERAL EXPRESS

James J. McNulty, Esquire
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, Pennsylvania 17120

Re: **PUC Docket No. I-00040103**
Investigation into Gas Competition

DOCKETED
DEC 01 2004

Dear Mr. McNulty:

The purpose of this letter is to inform the Public Utility Commission ("PUC") that North Penn Gas Company and PFG Gas, Inc. ("PPL Gas") will attend the September 30, 2004 hearing in the above-captioned proceeding. Earl C. Kinter, Director of Customer Service, will represent PPL Gas.

PPL Gas does not plan to testify at the September 30 hearing and is not requesting an opportunity to participate on any panels that day. However, Mr. Kinter will be present in the hearing room and will be prepared to answer any questions the PUC Commissioners may have regarding gas competition issues.

Pursuant to 52 Pa. Code § 1.11, the enclosed document is to be deemed filed on September 22, 2004, which is the date it was deposited with an overnight express delivery service as shown on the delivery receipt attached to the mailing envelope.

In addition, please date and time-stamp the enclosed extra copy of this letter and return it to me in the envelope provided.

124

James J. McNulty, Secretary

- 2 -

September 22, 2004

If you have any questions regarding this letter or PPL Gas' participation at the September 30 hearing, please call.

Very truly yours,

A handwritten signature in black ink that reads "Paul E. Russell". The signature is written in a cursive style with a large, prominent initial "P".

Paul E. Russell

Enclosures



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
800-684-6560 (in PA only)

ORIGINAL

FAX (717) 783-7452
consumer@paoca.org

IRWINA. POPOWSKY
Consumer Advocate

September 22, 2004

RECEIVED
2004 SEP 22 PM 1:08
SECRETARY'S BUREAU

James J. McNulty
Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

DOCKETED
DEC 09 2004

RE: Investigation into Competition in the
Natural Gas Supply Market
Docket No. I-00040103

Dear Secretary McNulty:

I am in receipt of the Secretarial Letter dated September 10, 2004, in the above referenced Investigation. The Office of Consumer Advocate respectfully requests permission for Consumer Advocate, Irwin A. Popowsky, to testify at the *en banc* hearing scheduled for September 30, 2004.

If you have any questions, please feel free to contact me. A copy of this letter has been served on the parties as indicated in the enclosed Certificate of Service.

Sincerely,

Stephen J. Keene
Senior Assistant Consumer Advocate

Enclosures

cc: Parties of Record
Patricia Krise Burket
Robert Bennett

81080.doc

DOCUMENT
FOLDER

92

CERTIFICATE OF SERVICE

Investigation into Competition : Docket No. I-00040103
in the Natural Gas Supply Market :

I hereby certify that I have this day served a true copy of the foregoing Office of Consumer Advocate's letter, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 22nd day of September 2004.

SERVICE BY INTEROFFICE MAIL

Robert J. Bennett
Manager
Bureau of Fixed Utility Service
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Johnnie Simms, Esquire
Office of Trial Staff
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Patricia Krise Burket
Assistant Counsel
Bureau of Fixed Utility Service
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

SERVICE BY FIRST CLASS MAIL

Daniel Regan
Energy Association of Pennsylvania
800 N. Third Street
2nd Floor
Harrisburg, PA 17102

David M. Kleppinger, Esquire
McNees, Wallace & Nurick
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108

William J. Lloyd, Esquire
Office of Small Business Advocate
Commerce Building - Suite 1102
300 North 2nd Street
Harrisburg, PA 17101

Kent D. Murphy, Esquire
PECO Energy Company
2301 Market Street S23-1
P.O. Box 8699
Philadelphia, PA 19101

Robert Hovanec, VP & CEO
T.W. Phillips Gas & Oil Co.
205 North Main Street
Butler, PA 16001

Eric Meisl
National Fuel Gas Distribution Corp
10 Lafayette Square
Buffalo, NY 14203

Daniel L. Frutchey, Esquire
Senior Vice President
Equitable Gas Company
200 Allegheny Center Mall
Pittsburgh, PA 15212-5352

Mark Kempic, Esq.
Columbia Gas of Pennsylvania, Inc.
650 Washington Road
Pittsburgh, PA 15228

Susan G. George, Esq.
Peoples Natural Gas Company
625 Liberty Avenue
Pittsburgh, PA 15222

Vicki O. Ebner
Vice President Marketing & Gas Supply
UGI Utilities, Inc - Gas Division
100 Kachel Blvd
Suite 400; P.O. Box 12677
Reading, PA 19612

William H. Eckert
Director of Gas Supply
PG Energy
1 PEI Center
Wilkes Barre, PA 18711-0601

Paul E. Russell
Associate General Counsel
PPL Electric Utilities Corporation
Two North Ninth Street
Allentown, PA 18101-1179

Gregory J. Stunder, Esquire
Philadelphia Gas Works
800 West Montgomery Avenue
Philadelphia, PA 19122



Stephen J. Keene
Senior Assistant Consumer Advocate
Aron J. Beatty
Lori A. Herman
Christy A. Appleby
Assistant Consumer Advocates

Counsel for
Office of Consumer Advocate
555 Walnut Street 5th Floor, Forum Place
Harrisburg, PA 17101-1923
(717) 783-5048

Hawke
 McKeon
 Sniscak &
 Kennard LLP
ATTORNEYS AT LAW

ORIGINAL

William T. Hawke
Kevin J. McKeon
Thomas J. Sniscak
Norman James Kennard
Lillian Smith Harris
Scott T. Wyland
Todd S. Stewart
Craig R. Burgraff
Steven D. Snyder
Janet L. Miller
Steven K. Haas
William E. Lehman
Rikardo J. Hull
Katherine E. Lovette

100 North Tenth Street, Harrisburg, PA 17101 Phone: 717.236.1300 Fax: 717.236.4841 www.hmsk-law.com

September 22, 2004

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street – Filing Room (2 North)
P.O. Box 3265
Harrisburg, PA 17105-3265

DOCKETED
DEC 03 2004

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004 SEP 22 PM 4:09
SECRETARY'S BUREAU

RE: Investigation Into Gas Competition; Docket No. I-00040103

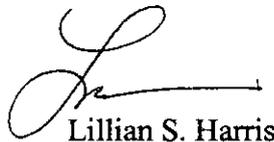
**DOCUMENT
FOLDER**

Dear Secretary McNulty:

Pursuant to the Commission's September 10, 2004 letter issued in the above-captioned proceeding, The Peoples Natural Gas Company d/b/a Dominion Peoples ("Dominion Peoples") hereby requests the opportunity to participate in the September 30, 2004 *en banc* hearing to be held in this matter. Dominion Peoples will be represented by William E. McKeown, its Director, Pricing and Regulatory Affairs. Mr. McKeown submitted written testimony in this matter on August 27, 2004. Mr. McKeown does not seek to present additional testimony at the time of the *en banc* hearing, but, instead, will be available for questions from the Commissioners and Commission Staff. In our view, Mr. McKeown would most appropriately participate on the panel of Natural Gas Distribution Companies for the purpose of responding to the Commission's questions.

If you have any questions regarding this letter, please contact me. Thank you for your attention in this matter.

Very truly yours,


Lillian S. Harris

LSH/kml

cc: Patricia Krise Burkett, Esquire (via email)
Robert Bennett (via email)
William E. McKeown

MAILING ADDRESS: P.O. BOX 1778 HARRISBURG, PA 17105

95



ORIGINAL

NRG Energy Center Pittsburgh LLC
111 South Commons
Pittsburgh, PA 15212
Phone 412.231.0409
Fax 412.231.0428

September 23, 2004

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SEP 23 2004

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Mr. James J. McNulty
Secretary
Pennsylvania Public Utility Commission
400 North St.
Commonwealth Keystone Building
Second Floor, East Wing
Harrisburg, PA 17120-0200

DOCUMENT

Dear Mr. Secretary:

I am writing to request participation at the Commission's *en banc* hearing on September 30, 2004, for the Investigation into Gas Competition, Docket No. I-00040103. This letter follows my e-mailed request of September 22, 2004.

Sincerely,

Tim Merrill CF

Tim Merrill
General Manager and Vice President

DOCKETED
DEC 01 2004

73

Mark R. Kempic
Senior Attorney
Legal Department

Southpointe Industrial Park
501 Technology Drive
Canonsburg, PA 15317
724.416.6328
Fax: 724.416.6384
mkempic@nisource.com

VIA HAND DELIVERY

September 23, 2004

Mr. James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17210-3265

ORIGINAL

Re: PUC Docket No. I-00040103: Investigation into Gas Competition

DOCKETED
DEC 06 2004

Dear Mr. McNulty:

Pursuant to the fourth paragraph of your September 10, 2004 letter concerning the above-referenced docket, Columbia Gas of Pennsylvania, Inc. requests to participate in the Commission's September 30, 2004 *en banc* hearing.

Your letter does not mention the service of requests to participate and I assume service is unnecessary. If service is necessary or desired, please advise.

If you need to contact me in the next few days, please contact me on my cell phone at 412.719.7714. Columbia's headquarters office is presently without phone, fax and computer services because of last Friday's flood.

Respectfully submitted,

Mark Kempic

Mark Kempic
Senior Attorney

RECEIVED
2004 SEP 23 PM 2:14
SECRETARY'S BUREAU

DOCUMENT
FOLDER

85



National Fuel

ORIGINAL

Christopher M. Trejchel
Senior Attorney

VIA OVERNIGHT MAIL

September 24, 2004

Darlene Smith
Secretary's Bureau – File Room
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

DOCKETED
DEC 09 2004

Re: Investigation into Competition in the
Natural Gas Supply Market
Docket No. I-00040103

Dear Ms. Smith:

Enclosed are 10 copies of National Fuel's notice to the Commission of its intent to participate in the September 30th *en banc* hearing. I apologize for not sending these copies with the original.

Very truly yours,

Christopher M. Trejchel, Esquire

**DOCUMENT
FOLDER**

CMT/cjc

Enclosures

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SEP 24 2004

PA PUBLIC UTILITY COMMISSION
ELECTRICITY BUILDING

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Columbia Gas[®]
of Pennsylvania
A NiSource Company

200 Civic Center Dr.
Columbus, OH 43215

VIA OVERNIGHT MAIL

September 24, 2004

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SEP 24 2004

Mr. James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17210-3265

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**RE: Investigation into Competition in the Natural Gas Supply Market
Docket I-00040103**

Dear Secretary McNulty:

Enclosed please find the original and 11 copies of REVISED page 1 of Columbia Gas of Pennsylvania, Inc.'s answers to the questions appearing in Annex A of the Commission's May 28, 2004 Order in the above-stated docket. Please docket the original and ten copies and date stamp the extra copy and return it to me in the enclosed envelope. As directed by the order, an electronic copy of Columbia's response is also provided.

The original version of this page provided in August contained a column of numbers reflecting the number of Natural Gas Suppliers providing Choice service on Columbia's system. This REVISED page shows the total number of Natural Gas Suppliers providing service to both Choice and General Distribution Service on Columbia's system. I apologize for any inconvenience that this may have caused.

As always, if you have any questions please call me at 412.719.7714 or 724.416.6328 or e-mail me at mkempic@nisource.com.

Sincerely,


Mark Kempic

cc: T. Murphy
E. Evans
D. Haddad
S. Bardes-Hasson
K. Christman

Columbia Gas of Pennsylvania, Inc.
Docket No. I-00040103
Response to Question 1(a) - 1(e)

	No. Gas Suppliers	No. Resid (1) Customers	No. C/I Customers	DTH Vol. Trans On System	DTH Vol Trans for Choice Suppliers	Disputed for Slamming	Disputes for Chg Supplier	Disputes on Selection	Disputes for Billing Confus.	Disputed on Bill Errors	All other Disputes
First Qtr 1999	59	67,461	5,168	18,370,138	2,963,492	20	15	N/A	2	1	N/A
Second Qtr 1999	60	99,397	9,979	13,697,029	1,644,536	21	15	N/A	3	0	N/A
Third Qtr 1999	60	102,065	10,371	10,054,929	660,984	1	14	N/A	3	4	N/A
Fourth Qtr 1999	61	99,573	10,316	16,275,059	2,690,622	2	14	N/A	3	0	N/A
First Qtr 2000	61	100,681	10,285	26,503,441	6,117,877	4	8	N/A	5	5	N/A
Second Qtr 2000	61	100,338	10,030	14,200,715	2,201,765	5	7	N/A	0	7	N/A
Third Qtr 2000	59	95,100	9,778	9,910,432	702,916	30	4	N/A	2	3	N/A
Fourth Qtr 2000	52	90,619	9,454	17,343,207	3,308,743	0	5	N/A	5	9	N/A
First Qtr 2001	47	87,338	8,795	26,043,681	6,590,260	7	4	N/A	5	10	N/A
Second Qtr 2001	44	90,691	9,018	12,765,094	2,345,607	5	6	N/A	6	10	N/A
Third Qtr 2001	40	100,469	9,286	9,508,744	682,712	5	6	N/A	4	6	N/A
Fourth Qtr 2001	38	104,413	9,675	14,153,570	2,679,399	23	33	N/A	37	36	N/A
First Qtr 2002	37	98,889	9,311	22,603,315	6,181,366	28	34	N/A	26	43	322
Second Qtr 2002	37	95,142	9,058	12,914,151	2,548,331	12	11	N/A	38	19	171
Third Qtr 2002	37	92,425	8,760	8,430,292	649,070	8	14	N/A	14	13	74
Fourth Qtr 2002	34	90,180	8,469	15,999,000	3,343,399	2	7	N/A	4	8	47
First Qtr 2003	34	86,988	8,283	23,834,924	5,893,649	5	4	N/A	9	7	81
Second Qtr 2003	32	83,690	8,027	11,453,194	2,261,761	3	1	N/A	6	5	57
Third Qtr 2003	31	80,965	7,819	7,631,751	626,446	1	0	N/A	4	1	35
Fourth Qtr 2003	30	79,908	7,766	14,413,181	2,876,554	2	2	N/A	4	4	71
First Qtr 2004	29	77,793	7,634	24,001,260	6,561,383	4	8	N/A	10	5	0
Second Qtr 2004	27	74,708	7,361	10,708,244	1,647,725	2	6	N/A	6	2	0

(1) These figures do not include customers on Columbia's Customer Assistance Program ("CAP"), even though Columbia aggregates the consumption requirements of its CAP customers and seeks to obtain competitive bids from licensed natural gas suppliers. Approximately 20,000 customers are presently participating in Columbia's CAP.
(2) N/A - Not available.

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PA PUBLIC UTILITY COMMISSION
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HARRISBURG, PA 17105-0700

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200 Civic Center Dr.
Columbus, OH 43215

September 24, 2004

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SEP 24 2004

Mr. James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17210-3265

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**RE: Investigation Into Competition in the Natural Gas Supply Market
Docket No. I-00040103**

Dear Mr. McNulty:

Attached please find the original and eleven (11) copies of Columbia Gas of Pennsylvania, Inc.'s comments in the above stated matter. Please file the original and ten (10) copies and return one time-stamped copy to me in the enclosed envelope.

As always, if you have any questions please call me at 412.719.7714 or 724.416.6328 or e-mail me at mkempic@nisource.com.

Sincerely,


Mark Kempic

Enclosure

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SEP 23 2004

**Before the
Pennsylvania Public Utility Commission**

PA PUBLIC UTILITY COMMISSION
600 MARKET STREET, SUITE 1200
PHILADELPHIA, PA 19106

Investigation into Competition in the Natural Gas
Supply Market

:
: Docket No. I-00040103

Introduction

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OCT 25 2004

Columbia Gas of Pennsylvania, Inc., (Columbia), respectfully submits these comments in the above-captioned proceeding. Columbia notes that it fully supports the written comments of the Energy Association of Pennsylvania; however in the interest of brevity Columbia will not reiterate all of those positions herein. Columbia is filing these limited comments to address specific issues raised by parties concerning Columbia's distribution programs.

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Discussion

In 1996, Columbia took the giant leap of introducing a pilot Choice program in Washington County to offer residential and small commercial customers an opportunity to purchase their natural gas supply from a third party. In November 1997 the Choice pilot program was expanded to include Allegheny County. In November 1998, the pilot was expanded to 5 additional counties. As the program developed, many changes were implemented as a result of natural gas supplier (NGS) and customer recommendations. NGSs were invited to meet personally with customers at Columbia's Choice Education meetings. Columbia initiated NGS meetings to explain the program and answer supplier questions. Upon request, Columbia willingly met with NGSs on an individual basis to answer questions and address concerns.

In late 1999, the Pennsylvania Public Utility Commission approved Columbia's Choice pilot as a permanent program and it was expanded throughout the remainder of the 26 counties Columbia serves. Today, all Columbia customers in Pennsylvania have the option of choosing who supplies their natural gas supply services.

From Columbia's perspective, there is a strong level of competition in Pennsylvania's natural gas supply service market. Twenty-one percent (21%) of Columbia's Choice-eligible

commercial customers are served by a Natural Gas Supplier. Eight NGSs are currently participating in Columbia's Choice program, and an additional NGS will be marketing its offer soon.

Columbia's Choice program already contains many of the suggestions mentioned by the NGSs in their written testimony. Capacity choice options, customer lists of eligible customers, and sale of accounts receivables to Columbia are all available to the NGSs under Columbia's program. Links to the NGS's websites may be found on Columbia's website.

In its testimony, Shipley Energy Company states they are "one of a very few suppliers serving customers on the Columbia system". Columbia disagrees with that comment, and in fact Columbia has a history of high marketer participation in its program in comparison with other Natural Gas Distribution Companies (NGDCs) in Pennsylvania. At one point, there were fourteen (14) active NGSs in the Columbia Choice program. There are currently eight (8) NGSs serving Choice customers¹.

Columbia's Choice program is an average day program, meaning the NGS delivers 1/365th of their customers' consumption each day of the year. Those deliveries are compared to actual customer consumption each year in July. Any difference in the deliveries versus consumption is then reconciled. In its comments, Direct Energy suggests that NGSs should be permitted to deliver gas to match their customer's demand on a daily basis. This suggestion is in contradiction to the experience that Columbia had during the design of its Choice program. Columbia's experience shows that other NGSs prefer Columbia's average day program for several reasons, including ease of entry into the market; ease of program administration; and the fact that the program enables NGSs to deliver lower-priced gas in the warmer months that will be used in the winter when the market is historically at its highest. Columbia views Direct Energy's suggestion as a detriment to NGS participation and recommends that the Commission reject that suggestion.

¹ While preparing these comments, Columbia discovered that it made an error in its August 28, 2004 responses to the questions appearing in Annex A of the Commission's May 28, 2004 Order. In Columbia's original responses, Columbia listed only the number of NGSs serving as Choice suppliers. The total number of NGSs serving Choice and non-Choice customers on Columbia's system is attached hereto as Attachment A and is also being filed separately with the Commission.

Testimony from several NGSs cite Columbia's Choice penalty of \$75 per Mcf for non-delivery. Columbia submits that this charge serves as an important and reasonable disincentive for non-deliveries or under-deliveries to residential customers, and it is necessary because of the drastic consequences of under- or non-delivery. In light of the simple nature of Columbia's average day program, in which each NGS is required to deliver a constant 1/365th of its customers' consumption to Columbia every day of the year, avoidance of the \$75.00 charge is not difficult. During recent years, gas prices have neared this level in other markets, tempting NGSs to reroute supply from Columbia to those higher priced markets. If not for the non-delivery charge, there is no telling whether Columbia's residential Choice customers would have had adequate gas supplies during the coldest times of the winter. Therefore, this non-delivery charge is fair and keeps gas on the system preventing an adverse effect to the core customers.

Direct Energy comments that local production is currently not an option in the Columbia Choice program. While it is true that local production is not an option in Columbia's Choice program, Columbia had to make this decision due to the nature of local production. Local producers cannot guarantee a set flow of gas and unlike pipeline gas, local production is not measured on a daily basis. Not having a set flow of gas can cause NGS to be short on their required Choice deliveries, and not having daily measurement precludes the ability to forecast and monitor deliveries. If the NGS' deliveries are short this can have a detrimental effect on the core customers, as it can cause Columbia to purchase incremental gas at higher than anticipated rates. Although local production is not an option for Choice service, Columbia purchases local production gas for its system supply gas. While this might cause some limitation for the NGSs, it helps to ensure that Columbia has both a reliable Choice program and distribution system.

In its comments, Hess suggests that Columbia's cash-out charges for non-Choice distribution customers and aggregators are not fair; however Hess was one of several NGSs who agreed to these charges as part of a settlement in 2001. Columbia suggests that it is inappropriate for Hess to challenge these charges after it previously agreed to them. Other NGSs delivering gas to non-Choice distribution customers who take issue with the cash-outs appear to be implying that they are unable to balance deliveries with customer consumption.

Columbia permits imbalance trading, and electronic daily measurement is an option for its customers. Customers and aggregators both have the ability to put excess delivered gas into storage with generous limitations. The vast majority of customers are in aggregations, giving the NGSs added banking ability. With all these tools, it is difficult to understand why an NGS has difficulty balancing deliveries with customer consumption on a monthly basis.

Conclusion

Columbia believes competition is **very** effective in its programs, and fundamental changes requested by the NGSs will not increase consumer participation or satisfaction. To the contrary, Columbia submits that adoption of some of the proposals may benefit the entity who proposed it to the detriment of other NGSs, customers and utilities. Columbia appreciates the opportunity to offer these comments and thanks the Public Utility Commission for its assistance in developing choices for Pennsylvania consumers.

Respectfully Submitted



Erich A. Evans
Director Gas Transportation and Sales Support
Columbia Gas of Pennsylvania, Inc.



T.W. PHILLIPS
GAS AND OIL CO.

205 North Main Street
Butler, Pennsylvania 16001
(724) 287-2751

August 24, 2004

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James J. McNulty
Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, Pennsylvania 17105-3265

**DOCUMENT
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Re: Investigation into Competition in the Natural Gas Supply Market,
PUC Docket No. I-00040103

Dear Mr. McNulty:

In accordance with the Commission's Order entered on May 28, 2004 at the above-referenced Docket (the "Order"), I have enclosed with this letter the original and ten copies of the Responses of T. W. Phillips Gas and Oil Co. ("T. W. Phillips") to the several questions listed on Annex to the Order that were directed to Natural Gas Distribution Companies. Also enclosed is an electronic diskette which contains T. W. Phillips' Responses.

Please confirm your receipt of this filing by date stamping and returning to me the extra copy of this cover letter, using the stamped return envelope enclosed for your convenience.

Very truly yours,

T. W. PHILLIPS GAS AND OIL CO.

Robert M. Hovanec
Executive Vice President and
Chief Financial Officer

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Enclosures

cc: Jay W. Dawson
Gerald B. Thomas

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**PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

ORIGINAL

Investigation into Competition in
the Natural Gas Supply Market

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Docket No. I-00040103

**Responses of
T. W. Phillips Gas and Oil Co.
to PUC Information Request**

- (1) For each quarter of the years 1999 to 2004, provide the following:
- (a) Number of natural gas suppliers operating on its distribution system;

Response:

From 1999 through July 2000, there were no natural gas suppliers operating on T. W. Phillips Gas and Oil Co.'s ("T. W. Phillips") distribution system. Since August 2000, only one Pennsylvania Public Utility Commission licensed natural gas supplier has operated on the T. W. Phillips distribution system. Moreover, this natural gas supplier is licensed to serve non-residential customers only.

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- (1) For each quarter of the years 1999 to 2004, provide the following:
- (b) Number of residential, industrial and commercial customers purchasing gas from alternative suppliers;

Response:

See the data set forth on the attached Schedule "A".

SCHEDULE "A"

Supplemental Response to Information Request 1(b)

Residential Customers Purchasing Gas from Alternative Suppliers				
Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1999	0	0	0	0
2000	0	0	0	0
2001	0	0	0	0
2002	0	0	0	0
2003	0	0	0	0
2004	0	0	0	0

Commercial Customers Purchasing Gas from Alternative Suppliers				
Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1999	0	0	0	33
2000	34	36	37	41
2001	46	46	46	17
2002	12	11	14	14
2003	21	21	25	24
2004	32	32	----	----

Industrial Customers Purchasing Gas from Alternative Suppliers				
Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1999	0	0	0	5
2000	4	3	4	4
2001	9	9	9	11
2002	9	10	10	10
2003	11	11	11	13
2004	12	12	----	----

- (1) For each quarter of the years 1999 to 2004, provide the following:
 - (c) Volume of natural gas transported on its distribution system;

Response:

See the data set forth on the attached Schedule "B".

SCHEDULE "B"

Supplemental Response to Information Request 1(c)

T. W. Phillips Gas and Oil Co.

**Distribution System Transportation Volumes
(1999–2004 – By Quarter)**

(in Mcf)

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
1999	0	0	0	354,918	354,918
2000	785,526	667,452	789,165	1,064,170	3,306,313
2001	1,707,772	2,041,093	1,801,147	2,574,009	8,124,021
2002	2,929,709	2,677,161	2,395,814	3,062,214	11,064,898
2003	3,276,753	2,880,971	2,595,673	2,960,902	11,714,299
2004	3,718,780	3,087,168	-----	-----	6,805,948
				Total	41,370,397

- (1) For each quarter of the years 1999 to 2004, provide the following:
 - (d) Volume of natural gas transported for suppliers on its distribution system;

Response:

See the data set forth on the attached Schedule "C".

SCHEDULE "C"

Supplemental Response to Information Request 1(d)

T. W. Phillips Gas and Oil Co.

**Distribution System Supplier Transportation Volumes
(1999–2004 – By Quarter)**

(in Mcf)

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
1999	0	0	0	354,918	354,918
2000	785,526	667,452	789,165	1,064,170	3,306,313
2001	1,707,772	2,041,093	1,801,147	2,574,009	8,124,021
2002	2,929,709	2,677,161	2,395,814	3,018,476	11,021,160
2003	3,269,236	2,805,613	2,507,410	2,877,421	11,459,680
2004	3,672,591	3,035,044	-----	-----	6,707,635
				Total	40,973,727

(1) For each quarter of the years 1999 to 2004, provide the following:

- (e) Numbers of customer complaints/disputes, regarding slamming or unauthorized change of supplier; changing a supplier; selecting a supplier; confusion regarding a bill on which charges appear for natural gas from an alternative supplier, error in billing for a supplier; and any other issue competition-related issue.

Response:

None.

(2) Provide the following information about security requirements that natural gas suppliers are required to maintain for licensure (66 Pa. C.S. § 2208(c)(1)(i)):

(a) Security requirement as posted in the distribution company's initial supplier tariff.

Response:

See attached excerpt (pages 46–48) from T. W. Phillips' Tariff Gas – PA PUC No. 5, Rule 20.

RULES AND REGULATIONS OF T. W. PHILLIPS GAS AND OIL CO. (Continued)Q. Capacity

Capacity is the ability of the Company to take the gas tendered by a Transportation customer at the point of delivery and move it through the Company's system to the point of consumption without interfering with the Company's operations in serving its other customers, including, but not limited to, obtaining or moving supplies of gas through the Company's system(s) to serve other customers. Capacity is a dynamic concept and may not exist in all locations at all times of the year. A Customer requesting Transportation Service also must recognize that the Company, in discharge of its duty to serve the public in a safe and reliable manner, must monitor and maintain its system. As with retail service, this can be expected to result in situations where the use of facilities is not possible for certain periods due to such things as leak repair, scheduled and unscheduled maintenance and line replacement or relocation, to name a few. If the Company encounters a capacity constraint within its own gathering system, transportation volumes will be curtailed prior to general system supply.

20. NATURAL GAS SUPPLIER RULES FOR SERVICE TO PRIORITY CUSTOMERSA. Natural Gas Supplier ("NGS") Qualifications

- 1) A NGS must be licensed by the Commission pursuant to Section 2208 of the Public Utility Code, 66 Pa. C.S. §2208, before any application to provide gas supply service to Customers on the Company's system will be considered.
- 2) Any NGS wishing to provide gas supply services to Customers on the Company's system must provide the Company with the following financial and related information:
 - a. Audited financial statements, or an annual report or Form 10-K, for the most recent fiscal year-end. If audited financial statements are not available, federal income tax returns from the last three (3) years shall be provided, including all schedules and attachments;
 - b. Current interim financial statements;
 - c. Names, addresses and telephone numbers of the NGS parent company and subsidiaries;
 - d. Names, addresses and telephone numbers of three (3) bank or trade references; and
 - e. A current credit report from Dun and Bradstreet or an equivalent national credit reporting agency.
- 3) The NGS shall also deliver to the Company a certified statement of an officer or other authorized representative of the NGS (the "Certified Statement") which confirms the following:
 - a. The NGS is not operating under any chapter of the bankruptcy laws and is not subject to liquidation under any state law.
 - b. The NGS is not subject to any pending or threatened litigation in any state or federal court or in any regulatory or administrative venue which could (i) cause a substantial deterioration in its financial condition, (ii) cause a condition of insolvency, or (iii) endanger its ability to continue as an ongoing business.

RULES AND REGULATIONS OF T. W. PHILLIPS GAS AND OIL CO. (Continued)

- c. The NGS is not subject to outstanding lawsuits, actions or judgments which, individually or in the aggregate, could jeopardize its ability to remain solvent.
 - d. The NGS has the legal power and authority to transact the business it transacts and proposes to transact in Pennsylvania, has obtained and holds a valid and effective Natural Gas Suppliers License from the Commission, and is in good standing in every other jurisdiction in which it operates and has secured a similar license or qualification.
 - e. The NGS indemnifies and holds harmless the Company and its Directors, officers, agents, and employees from and against any and all liabilities, claims, costs, expenses (including without limitation attorneys' fees and expenses) losses and damages related to or arising out of any failure on the part of the NGS to (i) provide gas supply service to its Customers on the Company's system and (ii) otherwise fulfill its obligations to the Company and its Customers. The NGS agrees to reimburse the Company for any and all payments made by the Company and any of its Directors, officers, agents and employees on account of such liabilities, claims, costs, expenses (including without limitation attorneys' fees and expenses) losses and damages.
 - f. The NGS has and shall maintain the gas supply and related capacity arrangements necessary to perform its obligations as a gas supplier on the Company's system, including but not limited to meeting all of the gas supply requirements of its Customers during peak demand periods. Furthermore, the NGS shall have available for its Customers, in addition to the capacity assignment and allocation received from the Company, such additional pipeline transportation and/or storage capacity and sources of gas supply that will be necessary to perform all of its obligations to the Company and its Customers, including but not limited to meeting all of the gas supply requirements of its Customers during peak demand periods.
- 4) The NGS shall have a continuing obligation to notify the Company in writing, within 3 days of the occurrence of any event which would render the NGS unable to provide a Certified Statement as of the date such event occurred and within 3 days of any other significant deterioration in its financial fitness or creditworthiness. For as long as an NGS serves Customers on the Company's system, it shall provide the Company with a copy of its audited financial statements within 90 days after the end of every fiscal year, along with any other updated financial information that may be requested by the Company from time to time.
 - 5) The Company will evaluate the financial fitness and creditworthiness of an NGS based on the financial and related information provided by the NGS in response to this Rule No. 20. Applying consistent analytical criteria, the Company shall assess the financial fitness or creditworthiness of an NGS and, in its sole discretion, except as noted below, (i) determine the amount and form of financial security, if any, that will be required of the NGS and (ii) change the amount and form of security supplied by the NGS. In that regard, the Company will monitor the NGS's aggregate maximum Required Delivery Volume for the Customers it represents on a monthly basis to ensure that adequate financial security is in place at all times.
 - a. A fee of One Hundred Dollars (\$100.00) will be assessed for the Company's initial financial evaluation of an NGS. The Company reserves the right to reevaluate the financial fitness and creditworthiness of an NGS as and when the Company considers it necessary to do so, and particularly when information received by the Company indicates that the financial condition of an NGS may have changed or deteriorated.

RULES AND REGULATIONS OF T. W. PHILLIPS GAS AND OIL CO. (Continued)

- a. In addition to the financial and related information described above, the Company may, at its sole discretion, require the NGS to supply any one or combination of the following forms of security to protect the Company:
 - i. A security deposit in an amount sufficient, as determined by the Company, to protect the Company from exposure to potential costs, penalties, claims or liabilities which would result from the NGS's failure to perform in accordance with the requirements of this Tariff, the terms and conditions of the applicable Transportation Service Agreement, or the Natural Gas Choice and Competition Act (the "Act") and any orders, policies, guidelines or regulations promulgated by the Commission as a result of the Act. In no event shall the security deposit be less than an amount equal to \$5.00 times the NGS's aggregate maximum daily Required Delivery Volume for the Customers it represents times 30 days;
 - ii. An irrevocable standby letter of credit in an amount equal to the security deposit calculated above, which is issued in favor of the Company by a financial institution acceptable to the Company;
 - iii. A guarantee, using a form acceptable to the Company, by a person or other entity which satisfies the Company's financial fitness and creditworthiness criteria; and
 - iv. Any other form of security that is acceptable to the Company.
- c. The Commission will determine the additional amount, if any, to be included in the form of security provided by an NGS serving Priority Customers to cover fines levied on the NGS by the Commission and NGS obligations to such Priority Customers. In no event will the Company be obliged to execute on the form of security provided by the NGS unless the amount in question is not in dispute and the Company is directed to do so by final order of the Commission. If the Commission establishes an additional amount to be included in the bond or other security to cover fines or obligations of the NGS to its Customers, such amount shall be payable on the same terms as the bond or other security to the Company.
- d. All financial and related information submitted or provided to the Company pursuant to this Rule will be treated as confidential and be used by the Company solely for the purpose of evaluating the financial fitness and creditworthiness of the NGS.

B. Customer Education/Information Disclosure

All of the terms and conditions in Rule No. 6 shall also apply to the Natural Gas Supplier Rules for service to Priority Customers, as set forth in this Rule No. 19 and are incorporated herein by reference thereto.

(C)

(2) Provide the following information about security requirements that natural gas suppliers are required to maintain for licensure (66 Pa. C.S. § 2208(c)(1)(i)):

(b) Each change that was made to this security requirement to date.

Response:

No changes have been made in the security requirements described in the aforementioned Rule 20.

August 24, 2004

Respectfully submitted,

T. W. PHILLIPS GAS AND OIL CO.



Robert M. Hovanec
Executive Vice President and
Chief Financial Officer

Thomas, Thomas, Armstrong & Niesen
Attorneys and Counsellors at Law

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212 LOCUST STREET

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CHARLES E. THOMAS
(1913 - 1998)

ORIGINAL

CHARLES E. THOMAS, JR.

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E-Mail: cthomasjr@ttanlaw.com

September 27, 2004

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105-3265

**DOCUMENT
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SECRETARY'S BUREAU

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In re: Docket No. I-00040103
Investigation into Gas Competition

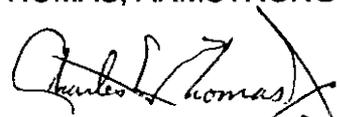
Dear Secretary McNulty:

Enclosed for filing on behalf of Equitable Gas Company ("Company"), a division of Equitable Resources, Inc., are an original and ten (10) copies of its Reply to Comments of Amerada Hess Corporation in connection with the above matter. As the Company previously indicated by letter filed September 22, 2004 and in discussions with the Commission's Law Bureau, Stephen C. Rafferty, the Company's Vice President - Utility Asset Management and John Quinn, the Company's Director of Rates, will be in attendance at the en banc hearing in the matter on September 30, 2004 and available to answer any questions the Commission might have. In the meantime, please contact us at your convenience if the Commission has any questions concerning this matter.

Very truly yours,

THOMAS, THOMAS, ARMSTRONG & NIESEN

By


Charles E. Thomas, Jr.

cc: Certificate of Service (w/encl.)
Daniel L. Frutchey, Esquire (w/encl.)
Stephen C. Rafferty (w/encl.)
John Quinn (w/encl.)

040927McNulty.wpd

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Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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Investigation into Competition in the : Docket No. I-00040103
Natural Gas Supply Market :

DOCKETED
OCT 13 2004

**REPLY TO COMMENTS OF
AMERADA HESS CORPORATION**

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AND NOW, comes Equitable Gas Company ("Equitable" or "Company"), a division of Equitable Resources, Inc., by its attorneys, and files the following Reply to Comments of Amerada Hess Corporation ("Hess"):

1. Equitable is the regulated utility division of Equitable Resources, Inc. Equitable is engaged in the purchase, distribution, sale and transportation of natural gas and serves over 258,000 residential, commercial and industrial customers in the City of Pittsburgh and adjacent territories in Allegheny, Armstrong, Butler, Clarion, Fayette, Greene, Indiana, Jefferson, Washington and Westmoreland Counties in Southwestern Pennsylvania.

2. By Order entered May 28, 2004 ("May Order"), the Commission instituted the instant investigation pursuant to Section 2204(g) of the Pennsylvania Public Utility Code for the purpose of determining "the level of competition that exists currently in the natural gas supply service market in Pennsylvania" (May Order at 2). In addition, the May Order directed all natural gas distribution companies ("NGDCs") and licensed natural gas suppliers ("NGSs") to provide the information requested in Annex A to the Order no later than August 27, 2004 (May Order, Ordering Paragraph No. 5 at 4) and gave parties the opportunity to submit written testimony no later than August 27, 2004 (May Order, Ordering Paragraph No. 2 at 3).

3. By letter dated August 23, 2004, Equitable submitted its responses to the Annex A requests. Equitable also indicated that it would not be filing written testimony in the proceeding.

4. Responses, written testimony and/or comments were also submitted on or before the August 27, 2004 due date by other NGDCs, NGSs, associations, the Office of Consumer Advocate ("OCA") and the Office of Small Business Advocate ("OSBA"). Most of the submissions were not served upon Equitable. However, over the course of the past ten (10) days, Equitable has had an opportunity to review certain of the comments and testimony, including the comments submitted by Hess.

5. Although the May Order was silent regarding the ability to submit responsive testimony and/or replies to comments, Equitable requests that it be permitted to submit this sworn reply to the unsworn comments of Hess which, unlike the more generic comments of other parties, and contrary to the May Order's description of what was to be submitted, directly and without foundation attack Equitable. Reply Comments have also been filed by the Energy Association and perhaps others.

6. As the Commission is well aware, although Equitable is not among the very largest Pennsylvania NGDCs in terms of customers served and volumes delivered, Equitable has the third highest number of customers participating in its choice program. More NGSs market on Equitable's system than most of the other NGDCs. Indeed, Equitable's choice program predates the Natural Gas Choice and Competition Act. Nevertheless, Hess, one of the nation's multi-billion dollar energy conglomerates, has elected to use what it characterized as "Comments" to attack (without an affidavit/verification) Equitable's agency program and Equitable's imbalance tolerance levels, both of which have been the subjects of rigorous review in on-the-record

proceedings participated in by the Office of Trial Staff ("OTS"), OCA and OSBA, among others.

7. More specifically, after raising charges against unnamed NGDCs regarding "affiliate abuse," Hess directly attacks Equitable's agency program (Hess Comments at 6-8). Hess' unsworn allegations are without factual basis and unsupportable for a number of reasons:

(a) First, one wonders if Hess has actually reviewed Equitable's Agency "tariff," especially in light of Hess' comment at page 7 that "...the Agency Program tariffs are written with such vague language as to the purpose of the program and the types and levels of discounts that can be offered, that Equitable is free to offer not only discounted *distribution* rates, but discounted *commodity* rates as well." (emphasis in original) These "tariffs" as Hess calls them actually consist of only one paragraph¹ which was challenged by a consortium of gas marketers and the OCA in the customer choice portion of Equitable's general rate proceeding at Docket No. R-00963858 (1997). The agency program was approved by the Commission over their objections. Equitable's agency program was also challenged by many of these same parties in its Natural Gas Choice and Competition proceeding at Docket No. R-00994784 and

¹The agency service provisions are found in Equitable's Tariff Rule and Regulation 11.7 which provides in its entirety as follows:

11.7 Company Agency

If requested by the customer, and agreed to by the Company, the Company will act as agent for the customer in securing storage services and transportation capacity on transmission pipelines to transport customer's gas to the pipeline delivery points on the Company's system. This service shall be administered by the Company subject to the same terms, conditions and rates placed upon other pool operators operating under Equitable's tariff. The Company shall not be responsible for storage and transportation charges incurred on behalf of the customer, nor for the performance, non-performance or continued availability of any pipeline transportation service. The charges for this service shall be determined by negotiation between the Company and the customer.

again approved by the Commission. In both proceedings, the same old tired arguments that Hess asserts in its unsworn comments were raised, and the Commission found that the agency program was in the public interest and of benefit to customers, especially those without competitive alternatives. Equitable's agency program operates today as it did in 1997, in that it is a transportation related service in which the Company does not take title to the customer's gas, but rather assists the customer in finding a natural gas supply. Therefore, it is impossible for Equitable to discount the commodity rate as Hess erroneously asserts. Since Equitable does not purchase a gas supply for its agency program, Hess' argument, also at page 7 of its Comments, that "...any discount on commodity in all likelihood is being subsidized by other customers through the operation of the utility's gas cost recovery mechanism..." is again without merit. Equitable does not maintain two Company gas supplies - - one for its 1307(f) sales customers and one for its agency program - - as Hess apparently believes. Agency customers have title to their own agency service gas.

(b) Second, just as there is no gas commodity component discount in Equitable's agency program, there is also, contrary to Hess' unsworn assertions (Hess Comments at 7), no distribution rate discount associated with agency service. Agency is not a distribution service, but, as previously noted, is a transportation related service. Customers utilizing agency service have two contracts with Equitable. One is for delivery service and the other is for agency service. The delivery service contract, which may be discounted in accordance with the Company's

tariff, often extends beyond the term of the agency contract allowing the customer to choose other gas supply alternatives when the agency contract expires. Negotiated (discounted) delivery service rates are available to competitive customers. Such rates have been subject to negotiated discounts since the inception of transportation service where the simple margin methodology was utilized to establish maximum rates for service. Any discounts are fully consistent with the Company's GDS Rate Schedule and are utilized to retain customer load, which if allowed to leave the system or switch to an alternate fuel would be disastrous for Equitable's remaining customers. Agency customers are treated no differently than other delivery service customers in this regard. However, any delivery service discounts they receive are part of Rate GDS and not part of Equitable's agency program.

(c) Third, although Equitable agrees with Hess that ..." the lack of defined franchise territories is the largest contributing factor..." to the competition among Western Pennsylvania NGDCs (Hess Comments at 6), it is Hess which is one of the main culprits in encouraging customers to switch NGDCs and in inducing competing NGDCs to build facilities in competition with Equitable. This Commission has stated in the past that the building of new NGDC pipelines in competition with an existing NGDC provider is ruinous competition that harms customers of the incumbent NGDC, and in turn, may also harm the customers of the competing NGDC depending on what levels of discounts are offered to the switching customer. As the Commission is aware, Equitable is addressing this issue in another proceeding.

(d) Fourth, the discounts Equitable offers to competitive customers for delivery service apply equally whether the customer utilizes agency service from Equitable or chooses to use a third-party gas supplier. Equitable does not require the customer to sign a confidentiality agreement concerning the discounted rate. If Hess has had a problem with an Equitable customer concerning non-disclosure of the customer's discounted delivery rate, it is because the customer simply does not want to disclose that information to Hess and not because of restrictions imposed on the customer by Equitable.

(e) Fifth, since the Equitable agency program does not take title to the customer's gas supply, there is no way that Hess' allegation (Hess Comments at 7) that it "...has faced situations in which a customer was offered discounts only if a bundled supply was purchased from the utility..." can ring true. Certainly, the Commission must recognize that customers have different levels of sophistication when it comes to obtaining gas supplies. Some do not want any help from the NGDC, while others would be totally lost without Equitable offering guidance in this regard. However, there is no truth to Hess' erroneous assertion that discounts on delivery service vary depending on the supplier or that Equitable forces customers to take a bundled service to achieve the greatest discount. The two services are not tied together. As stated previously, a significant number of the Company's agency customers have contracts for delivery service that extend well beyond the term of their agency contract.

(f) Finally and of equal importance, as Hess selectively determines to which of Equitable customers it will make an offer, there is absolutely no guarantee that Hess would compete for each and every agency service customer. As previously stated, agency service provides a benefit for many customers for which there is no competitive alternative.

8. Hess also attacks Equitable's tolerance levels for imbalances as being too low. What Hess fails to mention, but which it is surely aware of due to its attempt to intervene in Equitable's 2004 1307(f) proceeding and the service upon Hess of the settlement agreement in that proceeding, is that the Company in its 2004 Section 1307(f) filing proposed to double the tolerance levels and provide other relief to NGSs. This significant increase in tolerance levels was opposed by the OTS, OCA and OSBA. In settlement, Equitable will be permitted to increase its tolerance levels to 3.5% effective October 1, 2004. This is not the 5.0% level initially sought by Equitable, but it shows that Equitable has been proactive in attempting to help gas marketers rather than restricting their opportunities on the Equitable system as Hess Erroneously alleges.

9. Equitable recognizes that Hess has recently lost several of its customers on the Equitable system. These losses, however, have not been solely to agency service. A third-party marketer has taken a significant portion of Hess' load on the Equitable system, and it did so without all the "unfair" advantages Hess erroneously asserts exist in favor of agency service. Equitable would respectfully suggest that the problem with Hess' loss of throughput is not related to an agency program which has been in place for more than ten years. It may well be for reasons internal to Hess.

10. Equitable is not seeking to do battle with Hess. We welcome them to our system as a valued supplier of natural gas. We also wish them the best as they attempt to increase their share of the commercial and industrial load on the Equitable system.

Nevertheless, Equitable is taken aback by the seriousness of the unsworn allegations made in a proceeding that has little to do with the issues about which Hess complains. Equitable is prepared to meet with Hess, as it has in the past, if they have an issue that they would like explored. However, the proceeding at Docket No. I-00040103 is not the appropriate forum.

11. There are other assertions in the Hess Comments and the comments filed by other participants not directed to Equitable specifically, but as to which Equitable strongly disagrees. These matters have been addressed in the Replies filed by the Energy Association of which Equitable is a member. Equitable's failure to address those matters should not be construed to indicate that Equitable is in agreement with or is not opposed to such assertions.

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intentionally left blank)

WHEREFORE, Equitable Gas Company, a division of Equitable Resources, Inc., prays that the Pennsylvania Public Utility Commission consider its Reply to the unsworn and unfounded Comments of Amerada Hess Corporation and give those Comments no dispositive consideration in this proceeding.

Respectfully submitted,

EQUITABLE GAS COMPANY,
a division of Equitable Resources, Inc.

By



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Attorneys for
Equitable Gas Company,
a division of Equitable Resources, Inc.

DATE: September 24, 2004

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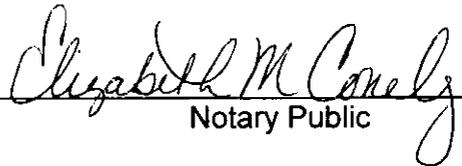
AFFIDAVIT

I, JOHN M. QUINN, being duly sworn according to law, depose and say that I am authorized to make this affidavit on behalf of Equitable Gas Company, a division of Equitable Resources, Inc., being the holder of the office of Director of Rates, and that the facts above set forth are true and correct to the best of my knowledge, information and belief and that Equitable Gas Company expects to be able to prove the same at any hearing hereof.



JOHN M. QUINN

Sworn and subscribed before me this 24th day of September, 2004.



Notary Public

My Commission Expires:

Notarial Seal Elizabeth M. Conely, Notary Public City Of Pittsburgh, Allegheny County My Commission Expires June 11, 2006 Member, Pennsylvania Association Of Notaries
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Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Investigation into Competition in the : Docket No. I-00040103
Natural Gas Supply Market :

CERTIFICATE OF SERVICE

I hereby certify that I have this 27th day of September, 2004, served a true and correct copy of Equitable Gas Company's Reply to Comments of Amerada Hess Corporation, upon the persons and in the manner indicated below:

HAND DELIVERY

Patricia Krise Burket
Assistant Counsel
Law Bureau
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

FAX AND FIRST CLASS MAIL

James H. Cawley, Esquire
Rhoads & Sinon LLP
One South Market Square
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SECRETARY'S BUREAU



Charles E. Thomas, Jr.

ORIGINAL

Philadelphia Gas Works
Gregory J. Stunder
Senior Attorney



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September 27, 2004

VIA OVERNIGHT MAIL

Mr. James J. McNulty
Secretary
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105

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SEP 27 2004

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

ATTENTION: Darlene Smith

Re: PUC Docket No. I-00040103: Investigation into Gas Competition

Dear Mr. McNulty:

Pursuant to the fourth paragraph of your September 10, 2004 letter concerning the referenced docket, Les Fyock, Philadelphia Gas Works Vice President of Governmental Affairs, hereby requests to participate in the Commission's September 30, 2004 *en banc* hearing. Mr. Fyock does not plan to submit any exhibits for inclusion in the record.

Your letter does not mention the service of requests to participate and I assume service is unnecessary. If service is necessary or desired, please advise.

Respectfully submitted

Gregory J. Stunder

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00040103

**TESTIMONY OF RANDY MAGNANI ON BEHALF OF AMERADA HESS
CORPORATION BEFORE THE PENNSYLVANIA PUBLIC UTILITIES**

COMMISSION

SEPTEMBER 30, 2004

SECRETARY'S BUREAU

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My name is Randy Magnani, and I am representing Amerada Hess Corporation in this proceeding. In my role as Director of C&I Operations I am, responsible for retail operations, including scheduling on 48 Natural Gas Distribution Companies ("NGDC") in 14 states. I have over 34 years experience in the natural gas industry including working for the NYPSC, Brooklyn Union Gas Company, Navigant Consulting, and Hess.

Hess is pleased to be given this opportunity for a meaningful discussion of the effectiveness of competition in the natural gas industry in the Commonwealth of Pennsylvania. Through the efforts of the PUC, Utilities, Suppliers, and various other parties, we are encouraged to see the development of competition which ultimately benefits customers in Pennsylvania. The Commission has established an appropriate framework for the competitive market through which customers have the opportunity to

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select their natural gas supplier based not only on best costs, but also on the variety of services available to meet their individual needs.

However, as with any developing market, an ongoing process is needed in which all parties should work to improve that framework based on experience and lessons learned.

My testimony will focus on three primary areas for improvement of the competitive market and I will identify solutions that, with the support of the Commission, can be implemented with relative ease. Those areas are: (1) the impediment to true competition created by the loopholes in, and lack of enforcement of, the Affiliate Standards of Conduct, (2) the barriers to entry created by the Agency Programs, and (3) the barriers to entry and cost inefficiencies created by the inconsistent and often illogical operational rules in place throughout the Commonwealth.

Prior to commencing with the heart of my testimony though, I would like to address some issues raised in comments and rebuttal comments from other interested parties. First, the Energy Association of Pennsylvania, in its rebuttal comments, makes the bold and incorrect assertion that because Hess

and some other NGS's at this time market only to the commercial and industrial customers in Pennsylvania, that our comments should be rejected summarily. Such a conclusion could not be more unfounded.

Section 2204(G) of the Natural Gas Choice and Competition Act directed the Commission to initiate an investigation in which, and I quote, "all interested parties are invited to participate, to determine whether effective competition for natural gas supply services exists in the natural gas distribution companies' systems in this Commonwealth." Natural Gas Supply Services is defined as, and again I quote, "the sale or the arrangement of the sale of Natural Gas to Retail Gas Customers;" and Retail Gas Customers are defined as "A direct purchaser of Natural Gas Supply Services or Natural Gas Distribution Services, other than a Natural Gas Supplier." Notwithstanding any closed door conversations members of the Energy Association may have had five years ago, at no time does the Act make a distinction between small and large customers with respect to the instant investigation. The Energy Association has obviously misinterpreted the nature and purpose of this investigation. As Hess, its customers, and the services we provide our customers clearly fall within these definitions, Hess

and other NGSs' comments in this proceeding are exactly the type of feedback that was envisioned when the Act was drafted.

Second, in its out of time filing this past Monday, Equitable Gas Company took Hess to task on a number of the statements made in our initial comments. It would simply take too much of our allotted time to respond to each of the arguments in this late filing, however, Hess would like to point out two inaccuracies with regard to Equitable's stated willingness to support NGSs in promoting a competitive market. First, while Equitable represents that it is interested in working with Hess and other NGSs to discuss issues Hess would "like to explore," Hess has found Equitable to be completely unwilling to attempt to work through the issues we have raised with respect to its Agency Program and instead has indicated that there are no changes it is willing to make. In our initial comments, unsworn as they may have been, we indicate, and continue to maintain here today, that the Agency Program as written in the tariff is unnecessarily vague, as Equitable points out it is a mere paragraph of language, and that the program is a direct impediment to competition much as the advantages of a utility affiliate can be over the abilities of an independent natural gas supplier.

Furthermore, Hess does not have any idea why Equitable would believe Hess is “one of the main culprits in encouraging customers to switch NGDCs and in inducing competing NGDCs to build facilities in competition with Equitable.” There would be absolutely no incentive for Hess to do that and we would challenge Equitable to provide some evidence that Hess has been working toward that end.

While I would like to address all of the allegations made in Equitable’s out of time and inappropriate rebuttal comments, I would like to move on now to the issues Hess believes are most relevant for the improvement of competition.

Affiliate Standards of Conduct

First, the Affiliate Standards of Conduct. Hess is aware that the Commission recently amended these Standards and in fact, Hess did provide comments in that proceeding. Nevertheless, we believe there are still significant deficiencies in the Standards, particularly with regard to enforcement. One of the most significant barriers faced by marketers and potential marketers to truly open competition in Pennsylvania is the advantage utility affiliates have over an unaffiliated NGS. Hess’ concerns

with the Standards center around two main principles: (1) the lack of adequate reporting measures combined with the virtual lack of any effective audit or enforcement measures, and (2) the lack of 2-way restrictions on information between affiliated NGSs and their affiliated NGDCs.

The plain and simple fact is that no matter how well crafted a set of standards is, if not effectively monitored, or enforced, compliance cannot be expected. For many of the provisions in the Standards, there are no means at all of monitoring compliance, and for those provisions that do require monitoring, the only method utilized is the maintenance of a log which is to be open for public inspection during business hours. This is unacceptable. The Commission should be able to monitor compliance beyond the simple filing of a log. In particular, the Commission should more proactively collect information on affiliate activities, particularly where the NGDCs have considerable discretion in the administration of their programs and in instances when the affiliate suppliers have a much greater market share within their own NGDC's territory than in other NGDCs' areas where it operates. Examples of these discretionary programs which require greater monitoring include:

- decisions on when to release capacity to a marketer;

- daily balancing requirements that can be waived;
- requiring gas to be brought in on certain pipelines and not accepting deliveries on other pipelines;
- decisions on when to interrupt interruptible customers;
- decisions when to recall released capacity;
- or decisions on who to give discounted transportation rates.

Even the slightest bit of special consideration on behalf of its affiliated supplier by an NGDC when acting upon these types of discretionary decisions can significantly affect the ability and costs of non-affiliated marketers' to serve customers in that NGDC's territory. Yet, because there has been virtually no monitoring of these discretionary programs and the effects of their implementation on non-affiliated versus affiliated suppliers there is no way to ensure compliance.

The second issue I mentioned, the lack of any 2-way restrictions on the sharing of information by affiliated suppliers with their utilities, creates the same types of concerns regarding implementation of discretionary programs. Section B(8) of the Standards restricts the NGDCs from sharing customer proprietary information with their affiliated suppliers, but there is no restriction on the suppliers sharing information with their affiliated

NGDC. Without such a 2-way restriction, the affiliated suppliers are free to supply information to their affiliated NGDC with the potential of improperly affecting discretionary operational decisions, or inappropriately influencing the NGDC's decision to take action in such a way that it specifically benefits the affiliated supplier.

The discretionary programs I just mentioned offer up myriad potential scenarios, but I would like to provide the Commission with one particular example. Under Section 3.B(7) of the Standards if an NGDC provides a distribution service discount, fee waiver or rebate to its customers or its affiliated supplier's customers, the NGDC must also offer the same distribution service discount, fee waiver or rebate to other similarly situated customers; and any such offers cannot be tied to unrelated services, incentives or offers on behalf of either themselves or their affiliated supplier. Logically, a means of monitoring this important Standard to ensure compliance would be to compare the distribution charges of similarly situated customer. However, this logical method of ensuring compliance is impossible to achieve for several reasons.

The first hurdle comes from the fact that some NGDCs require customers to sign confidentiality agreements regarding their distribution charges. It is not clear why this information should not be publicly available

since the purpose of the Standards is to ensure that any discounts are applied uniformly. The NGDCs are required to maintain a chronological log of such discounts, but the standards only require the date, party name, time and rationale for the action. There is no requirement to actually report the discounted rate. To our knowledge, other than eliminating the confidentiality agreements and making such information public, there is no other way for a customer, NGS or the Commission to determine compliance with the requirement that the same discounts be offered to similarly situated customers.

The second hurdle to overcome is the lack of defined criteria as to what constitutes a similarly situated customer. To eliminate this identification problem, the Commission should require NGDCs to define the criteria they use in determining whether customers are similarly situated.

Finally, the Standards require the NGDCs to offer, and not simply make available upon request, distribution service discounts to similarly situated customers. It is the obligation of the NGDCs to make their customers aware that such a discount is available to them and actually offer it. As the Standards are currently written, there is no means by which the parties can determine if this is occurring. Satisfaction of the 2 previous mentioned concerns, requiring all discounts on distribution charges be made

public and clearly identifying the criteria of what constitutes similarly situated customers, are the only means by which the Commission can determine if all of the customers in their jurisdiction who are required to have discounts offered to them are in fact receiving them. Moreover, in reporting all discounts granted, the NGDCs should also identify within those reports the marketer serving the discounted customer, and certify that all similarly situated customers have been proactively offered the same discount. It is important that customers of the NGDC are not left with the perception that greater discounts are available if they purchase gas from the NGDC's affiliate, and the only way we can see of achieving this is by enacting the changes I have suggested.

Agency Programs

Next, as I mentioned earlier in my testimony, is the operation of Equitable Gas Company's Agency Program. Equitable's Agency Program is supposed to enable it to effectively compete with other NGDCs building distribution pipelines to directly compete for the same customer. Hess has no issue with providing Equitable the ability to avoid losing customer business to another NGDC by discounting distribution rates within specified criteria. However these programs have had the strong potential of providing

unfair competition to NGSs while increasing costs to captive inelastic customers. There is nothing in the paragraph governing the program that prohibits Equitable from, while acting as agent for a customer, diverting the cheapest source of supply available to Equitable to that customer, while purchasing the more expensive gas to serve its inelastic customers and recovering that cost through its PGA. Rules need to be put in place to ensure that this does not occur.

Equitable's argument that this has been approved by the Commission in previous proceedings is irrelevant as the purpose of this instant investigation is to determine how the market is working now, not how it was working at its inception.

Allowing Equitable to offer discounts to customers only if they handle the customer's supply arrangements is not likely the intent of the Commission, is inappropriate and flies in the face of the letter and spirit of the Standards of Conduct and the Natural Gas Competition Act. If the purpose of the discounted distribution rates is to allow Equitable to retain customers in the face of competition from other NGDCs who would like to serve that customer on their system, the discounted rate should be available whether the customer purchases the commodity through Equitable or a marketer.

In its current form, the Agency Program appears to provide them with the benefits of an independent marketer who is not burdened with the obligations of the Standards of Conduct.

Therefore, Hess respectfully requests that the Commission require Equitable to revise the Agency Program portion of its tariff to limit discounts to distribution rates, and to expressly prohibit Equitable from streaming its lower cost gas supplies to Agency customers. It should be made clear to the Commission where Equitable obtains the supply, and what capacity is used, for the Agency program participants, and Equitable should be required to provide an accounting of the discounts offered to ensure that subsidies are in fact not occurring. To date, Hess has been unable to obtain any meaningful data to refute our conclusion that the cheaper commodity rates for the Agency customers are at the expense of other customer rate classes.

Operational Rules

The final topic I would like to address with the Commission is our concern about the disparity of the operational rules in place in the various utility tariffs and the inefficiencies, increased costs for consumers, and barriers to entry created by these wide ranging rules. In light of the fact that

Pennsylvania has the unique characteristic of undefined franchise territories, the ability of marketers to effectively manage their businesses and successfully enter and compete in the Pennsylvania Gas Market, is largely contingent upon its ability to manage internal processes and standards for all customers in the Commonwealth.

Before getting into my discussion of the types of operational issues Hess and other marketers have identified while working in the Pennsylvania market, I would like to suggest that the best action the Commission could take following this hearing is to establish working groups in which interested parties can craft the necessary improvements to the competitive market as have been identified through this investigation. Not until all interested parties have contributed, on a one to one level, their ideas and experiences, both in Pennsylvania and in other jurisdictions, can an informed decision be made on how best to further promote competition in Pennsylvania.

Volumetric Tolerances & Cashout Penalty Rates. Hess agrees that tolerance bands and cashout rates should be conservative enough to help manage market behavior and ensure reliability, adequacy and security in the Pennsylvania Natural Gas Market. However, what can be found in the utility tariffs across Pennsylvania in varying degrees, are rules so restrictive that they penalize marketers for their inability to perfectly predict, manage

and balance, something the utilities themselves could never accomplish. If preventing gaming of the system and fostering responsible market behavior is the true intent of the NGDCs when setting their tolerance bands and cashout rates, then the bands should be set at levels they themselves would be able to satisfy. Moreover, market rates with reasonable multipliers should be used outside the tolerance bands with significant penalties only being assessed during periods of critical gas supply concern. Here, Hess believes that reasonable requirements can be set through the working group we have suggested.

Pooling regulations and imbalance trading.

With regard to imbalance trading and pooling regulations throughout the jurisdiction, unnecessary barriers and inefficiencies have been created by some of NGDC rules. And again, the purpose of these rules should be to prevent gaming of the system and to foster responsible market behavior while guaranteeing the utilities do not incur unnecessary costs due to the behavior of the suppliers serving on their system. Yet no rational basis has been identified for some of these rules, such as the maintenance of multiple pools with varying monthly schedules on the same utility. The only result of these types of structures is the increased incidence of penalty assessments on the NGSs. The goal should be to reduce costs to customers, not increase

costs by penalizing for reasonable market behavior. Reliability is the underlying goal for NGDCs and NGSs, and a standard Hess takes very seriously. However, these structures and penalties do not serve to improve reliability.

Telemetry utilization and cost.

Use of this technology assists in keeping customer costs down by ensuring accurate balancing and billing, therefore, an easy means of fostering competition, efficiency, and reduced costs is to require telemetry equipment across this jurisdiction; without it, accurate matching is extremely difficult if not impossible to achieve. The Commission should require NGDCs to install telemetering equipment for all customers where the daily balancing of deliveries and usage is required by the NGDC.

Data accuracy, availability and timeliness. The simplest means of fostering efficient cost effective behavior by the marketers is to provide them with accurate and timely data. Without it, costs are incurred, and unfortunately passed along to the customers because of the inability to effectively balance customer pools. Moreover, in addition to the incremental costs incurred due to the inability to act swiftly on accurate data, for example by maximizing favorable prices in the market place, marketers can incur increased costs from penalties. These penalties are due to no fault

of their own, but due to reliance on inaccurate data supplied by the NGDC, and ultimately result in increased costs to the customer. Procedures should be put in place to ensure that marketers are not penalized when bad data is supplied by the NGDC.

Conclusion

In conclusion, I would like to thank the Commission for taking a meaningful interest in the current state of competition in the Pennsylvania gas market and for expressing an interest in taking action to help it continue to grow.

The goal of all should be the reduction of costs to our customers, and learning from the market experiences we have all amassed in the past 5 years to promote the further development of a robust competitive market in the Commonwealth.

PA Public Utility Commission
Investigation into Gas Competition
Docket No. I-00040103
En Banc Hearing
September 30, 2004
1:30 p.m.

AGENDA

1:30 p.m. **Opening Remarks**

Vice Chairman Robert Bloom
Commissioner Glen R. Thomas
Commissioner Kim Pizzingrilli
Commissioner Wendell Holland
ALJ Susan D. Colwell

1:40 p.m. **Panel One - Natural Gas Distribution Companies**

Testifying:

Energy Association of PA
Daniel Regan, Vice President & General Counsel
Columbia Gas of Pennsylvania
Mark Kempic, Senior Attorney
Dominion Peoples
William E. McKeown, Director, Pricing and Regulatory Affairs
Equitable Gas Company
Stephen C. Rafferty, Vice President, Utility Asset Management
John Quinn, Director of Rates
National Fuel Gas Distribution Corp.
Bruce D. Heine, Assistant Vice President

Available for Questions:

PECO Energy
Brian D. Crowe, Director, Rates and Regulatory Affairs
PG Energy
Bruce Davis, Vice President, Gas Supply & Marketing
PPL Gas
Earl C. Kinter, Director of Customer Service

2:45 p.m. Panel Two - Natural Gas Suppliers

Amerada Hess
Randy Magnani, Director C&I Operations
Direct Energy
Adrian Pye, Director, Regulatory Affairs
Dominion Retail, Inc.
Thomas J. Butler, Director of Marketing
Interstate Gas Supply
Vincent A. Parisi, Chief in house Counsel
Shell Energy Services, LLC
Harry Kingerski, Regulatory Affairs Manager
Shibley Energy Company
Matthew Sommer, Business Manager

4:15 p.m. Panel Three - Consumers

NRG Energy Center Pittsburgh
T.W. Merrill, Vice President & General Manager
Office of Consumer Advocate
Sonny Popowsky, Consumer Advocate
Office of Small Business Advocate
William R. Lloyd, Small Business Advocate

5:00 p.m. Closing Remarks (Commission)

Note: In lieu of rebuttal testimony, written reply comments may be submitted.
The deadline for filing reply comments is October 12, 2004.