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VIA E-FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: Rulemaking to Amend the Provisions of 52 Pa. Code, Chapter 59 Regulations
Regarding Standards For Changing a Customer's Natural Gas Supplier.,
Docket No. L-2016-2577413**

Dear Secretary Chiavetta:

Enclosed, please find the comments of the UGI Distribution Companies filed in response to the Commission's Order entered on April 20, 2017 at the above docket, and published in the May 6, 2017 edition of the *Pennsylvania Bulletin*.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Mark C. Morrow".

Mark C. Morrow

Counsel for the UGI Distribution Companies

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Rulemaking to Amend the Provisions of 52 :
Pa. Code, Chapter 59 Regulations Regarding :
Standards For Changing a Customer's : Docket No. L-2016-2577413
Natural Gas Supplier. :

**COMMENTS OF THE
UGI DISTRIBUTION COMPANIES**

I. INTRODUCTION

The UGI Distribution Companies (“UGI”), comprised for the purpose of this submission of UGI Utilities, Inc. – Gas Division (“UGI-GD”), UGI Penn Natural Gas, Inc. (“UGI-PNG”) and UGI Central Penn Gas, Inc. (“UGI-CPG”),¹ appreciate this opportunity to submit comments in response to the Commission’s Order entered on April 20, 2017 in the above-captioned proceeding and published in the May 6, 2017 edition of the *Pennsylvania Bulletin* (the “Supplemental Comment Order”). These comments are meant to supplement the comments filed by the Energy Association of Pennsylvania (“EAP”), as well as the comments previously submitted by UGI on February 21, 2017 in response to the Commission’s Advance Notice of Proposed Rulemaking Order entered on December 22, 2016, and published in the January 7, 2017 edition of the *Pennsylvania Bulletin* (the “ANPRO”).

A. Backdating NGS Switches

The Supplemental Comment Order provides, in part:

¹ UGI-GD, UGI-PNG and UGI-CPG are certificated natural gas distribution companies (“NGDC”) that provide natural gas distribution service to in excess of 617,000 customers in service territories encompassing all or portions of 44 Pennsylvania counties.

NFG proposed that natural gas distribution companies (NGDCs) have the option to affect the switch retroactively to the last meter read used for billing (NFG at 9-10). We invite parties to comment on this proposal, including any technical or customer-related issues they identify. Additionally, we are interested in the analysis of the costs and possible cost-savings that a “retroactive” switch procedure may provide in comparison to the possible costs of off-cycle switching.

While UGI made a similar suggestion for handling switches at its affiliated electric distribution company, UGI Utilities, Inc. – Electric Division (“UGI-ED”),² UGI does not believe that this would be a superior alternative for its NGDCs given their current circumstances and capabilities, which will almost certainly differ from those of other NGDCs.

A significant capability needed to handle customer switches without a monthly meter reading is the ability to use billing algorithms to render customer bills and make associated billing adjustments once meter reads are obtained. Implementing changes in billing systems and business processes needed for mid-cycle switches takes both time and money, and while retroactive switching may present one solution to handling off-cycle switching pending the development of billing and business process changes, UGI is on track to implement a new customer information system in the fall of 2017 that will have the necessary billing capabilities.

Another issue that needs to be considered when implementing mid-cycle switches is the potential impacts on gas supply arrangements. NGSs generally group customers in billing pools that procure supplies and balance pool deliveries and consumption within tolerances defined in NGDC tariffs. In most instances the billing pools are balanced by calendar month, and as mentioned in previous comments, in the gas industry supply arrangements are generally established on a calendar month basis, which may not necessarily be easily adjusted on an intra-month basis. By authorizing mid-cycle switching, both the acquiring NGS or NGDC and the

² This suggestion was rejected by the Commission in an Order entered on December 14, 2014 at Docket No. P-2014-2449397, largely on the basis that given UGI-ED’s small size, a manual billing solution was a better alternative pending UGI’s implementation of a new billing system capable of handling off-cycle switching in the fall of 2017.

NGS or NGDC losing the customer will have to have sufficient gas supply assets in place or make mid-month adjustments to handle the change in customer demand resulting from mid-cycle switches. To the extent retroactive switches are substituted for mid-cycle switches, the potential swings in customer demand could be greater since the unanticipated change in customer usage encompasses the entire month.

Finally, if multiple mid-cycle switches are permitted within a single month, presumably retroactive switching would require the last supplier in the chain for that month to be recognized as the supplier for the entire month, which could lead to some customer confusion.

B. Limitations on Off-Cycle Switching

UGI's new customer information system has been designed to permit multiple mid-cycle switches, but if such multiple switches occur, UGI's bills will not necessarily have sufficient space to accommodate multiple supplier logos.

Moreover, as noted above, if retroactive switching is authorized as a substitute for required billing system and business practice changes, presumably only the final supplier would be deemed to have served the customer for the month. In this circumstance limiting mid-cycle switches to a one supplier per month may be appropriate to limit customer and supplier confusion.

C. The NGDC Acting as a Capacity "Clearinghouse"

It is the custom in the gas industry to finalize gas supply plans in the week in advance of each calendar month, often referred to as "bid-week", and to thereafter minimize mid-month adjustments. As noted above, when mid-cycle switches are permitted, there can be a mismatch between the expected usage of the NGS or NGDC customer pool, for which gas supply assets were acquired in the preceding bid-week, and the actual usage of the pool.

To the extent a NGS is affected by the unanticipated addition or deletion of customer during a month, and does not have gas supply assets in place to handle such unanticipated additions or deletions, it is free to acquire or release assets in the well-developed wholesale gas markets where, in the case of FERC-regulated pipeline and storage capacity, FERC policies promote efficiency and transparency through well-established bidding and posting requirements. These FERC policies are designed, in part, to make sure that available capacities go to those who value the capacity the most. There is no particular reason to think that a NGS which elects to acquire or dispose of gas supply assets to reflect unanticipated additions or deletions of customers from its customer pools would necessarily need to or could acquire or dispose of gas supply assets to or from the NGSs or NGDCs that previously served or will now serve the customers it acquires or loses. There is also no reason for NGDCs to be involved or to develop business systems to try to broker or take title to gas supply assets to try to circumvent the results that would otherwise occur in wholesale markets. In this regard, it should also be noted that there could be trading risks involved in trying to intervene in such wholesale transactions which could place unacceptable risks on NGDCs and their ratepayers.

D. Diversity of NGDC Systems

It is certainly the case that NGDCs generally have different customer information systems and face different market and other conditions. It is also the case that changes to billing systems and business practices can be very costly. Thus, attempting to establish uniform mid-cycle switching solutions on all NGDCs in a uniform manner simply to avoid the necessity for NGSs to accommodate differences among NGDCs would most likely result in the incurrence of significant costs to NGDCs which, under the provisions of 66 Pa.C.S. §2205(c)(7), may now be recovered “on a full and current basis” from “natural gas customers or other entities as

determined by the Commission.” *Id.* In the opinion of UGI, it is unlikely that the anticipated benefits to retail choice resulting from uniformity would outweigh the significant costs a uniform approach would impose on NGDCs and their customers or other entities as determined by the Commission.

E. Data Elements in §59.93

UGI supports the retention of the requirement in 52 Pa. Code §59.93(1) that NGSs be required to provide at least two data elements when enrolling customers through the EDI process.

UGI does not believe providing two data elements is burdensome. Moreover, if only one data element was required for enrollments, and that element was an account number or address number, a simple transposition of two numbers could cause an inappropriate enrollment. While the Supplemental Comment Order notes that multiple data elements are not required under applicable electric regulations, and PECO has indicated that it uses only one data element for enrollments, the practices of the major EDCs or the entirety of PECO’s circumstances are not known by UGI.

In light of the above, UGI would recommend the retention of current requirements while permitting those NGDCs that wish to use one data element enrollment to petition the Commission for an exemption. Such petition proceedings which will provide interest parties with the opportunity to request and evaluate appropriate information so that the merits of one data element enrollments can be fairly assessed.

II. CONCLUSION

UGI urges the Commission to carefully consider and weigh the costs and benefits of implementing accelerated switch on NGDC systems, including the information provided in these

comments, and looks forward to working with the Commission in implementing the Commission's final policy choices.

Respectfully submitted,



Mark C. Morrow

Counsel for the UGI Distribution Companies