



## ***National Fuel***

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**Maureen Geary Krowicki**  
*Deputy General Counsel*

June 12, 2017

Rosemary Chiavetta, Secretary  
Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, Filing Room  
Harrisburg, PA 17120

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SECRETARY'S BUREAU

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:

On June 5, 2017 Shipley Choice, LLC ("Shipley") and the Retail Energy Supply Association ("RESA") filed supplemental comments in response to the Commission's April 22, 2017 Order requesting additional comments from interested parties in the above referenced docket. To ensure that the Commission has a sufficient record available to assist it in its decision-making process, National Fuel Gas Distribution Corporation ("Distribution" or "Company") wishes to provide information pertinent to the comments provided by Shipley and RESA.

Both Shipley and RESA raised the specter of penalties with regard to the cash out mechanism in the comments concerning the proposal to backdate Natural Gas Supplier ("NGS") switches to the start of the customer's billing cycle. Concerns were also raised surrounding NGS risk for obtaining supplies either when signing up customers or and in Shipley's case, when the NGS loses customers. Such concerns are unfounded because the cash out mechanism, as provided in Distribution's current tariff, has safe harbor provisions. With respect to the imbalance effect of back dated switches, Distribution's cash out would be based upon the month end cash out rate which is the average of daily cash out rates. This removes daily market risk for NGSs and customers supplied by Distribution.

With regard to safe harbors, so long as the NGS meets its Daily Delivery Quantity ("DDQ") each day of the month, no penalty multiplier is applied to the market cash out rate. On Distribution's system, it is a rare event for an NGS to miss their DDQ. Even if it does, another safe harbor provides that if the system is within 5% tolerance (which is usually the case), all NGSs are cashed out without penalty at the market rate. Distribution adjusts DDQs on a daily basis as NGSs customers add (or lose) customers on-cycle and will adjust off-cycle (prospectively) for back dated switches; no daily city gate deficiency cash out penalty will be applied for days that have passed. Distribution's tariff also provides for parties to trade

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imbalances; a mutually arranged netting of imbalance positions between an NGS that lost customers and one that gained customers can be accommodated prior to cash out.

Further, as Distribution noted in its comments, NGSs are released firm capacity with in-path rights to the Tennessee Gas Pipeline Zone 4 200 Line Pool, which is the trading point upon which Distribution's cash out index is based. This is a liquid point; among the lowest-priced trading points in the industry with plentiful gas supplies as well as buyers and sellers. Further, Distribution releases pipeline storage to NGSs; as a last resort (or when suited to the NGS's economics) gas may be injected into storage when the NGS loses customers) or withdrawn from storage when the NGS attracts new customers.

Distribution respectfully request that the Commission accept and rely upon the information presented herein as a part of its decision making process. Please address any questions to the Michael Novak at [NovakMi@natfuel.com](mailto:NovakMi@natfuel.com) or (716) 857-7884.

Respectfully submitted,



Maureen Geary Krowicki

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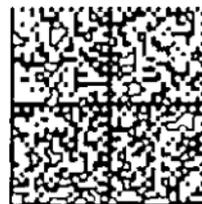
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