

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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IRWINA. POPOWSKY  
Consumer Advocate

November 4, 2009

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

RE: Pennsylvania Public Utility Commission  
v.  
Philadelphia Gas Works – Petition for  
Emergency Rate Relief  
PGW Gas Supply Collaborative  
Docket No. R-2008-2073938

Dear Secretary McNulty:

Enclosed for filing are the Reply Comments of the Office of Consumer Advocate concerning the Alternative Default Service Supplier Collaborative, conducted pursuant to the Commission's December 19, 2008 Order in the above-referenced proceeding. These Reply Comments are being submitted pursuant to the agreed upon schedule of the Collaborative participants.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Aron J. Beatty".

Aron J. Beatty  
Assistant Consumer Advocate  
PA Attorney I.D. # 86625

Enclosures

cc: Certificate of Service

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2008-2073938
	:	
Philadelphia Gas Works – Petition for	:	
Emergency Rate Relief	:	

**PGW Gas Supply Collaborative**  
**Reply Comments of the Office of Consumer Advocate**

The Office of Consumer Advocate (OCA) has reviewed the filed comments submitted by the Philadelphia Gas Works (PGW or Company), the Office of Small Business Advocate (OSBA) and those of Interstate Gas Supply, Dominion Retail, and Hess (NGS Suppliers). At this time, the OCA submits that the collaborative process does not seem to be resulting in any viable options for transitioning to an alternative default service supplier able to provide reasonable, stable rates to default customers on a least- cost basis consistent with Pennsylvania law.

After several months of the collaborative process, the NGS Suppliers have not come forward with a proposal that provides sufficient program details or options that all other parties can meaningfully address. Likewise, PGW has been unable to provide significant input concerning its position on third party gas supply and what program parameters are necessary to meet the Company's and its ratepayers' requirements.

At this juncture of the collaborative process, the NGS Suppliers have not adequately responded to the concerns of the other parties, and the Company has reservations regarding the auction process and whether it is compatible with established least cost procurement requirements. PGW is also uncertain whether, with the NGS Suppliers' proposal, it will be permanently relieved of its least-cost procurement requirements. In support of its position, the Company raises issues about security of supply, the balancing of daily deliveries, the predictability of gas costs, and the mechanics of any purchase of receivables under the NGS Supplier program as currently specified. As detailed in its initial Comments in this proceeding, the OCA shares similar concerns to those expressed by the Company.

As the OCA stated in its initial Comments, the OCA has been an active participant in the collaborative, but it has also encountered difficulty in trying to determine if ratepayers will ultimately benefit from any potential program. As the collaborative currently stands, such a benefit determination has not been possible. All non-marketer parties reference the same deficiencies. In its initial Comments, the OCA stated, "it is necessary for the NGSs to define a tangible proposal." OCA Comments at 6. The OSBA stated that the "proposal fails to include detail necessary for a plan that could eventually be put before the Commission for an adjudication." OSBA Comments at 5. Finally, PGW cited operational, financial and customer protection issues that "need to be addressed if the Supplier Proposal is to move forward." PGW Comments at 2.

Based on the current status of the collaborative process, it appears that the next step should involve the development of a more comprehensive proposal by the NGS Suppliers. In such a revised and more detailed proposal, the NGS Suppliers should address the various concerns raised by other parties. At that time, the other parties and the Commission will be able

to make determinations on the legal issues discussed by the OCA, OSBA and PGW in their Comments, and on various program details and provisions raised by all of the parties.

The non-marketer collaborative parties have submitted comments which effectively state that the Supplier Proposal, at present, lacks sufficient detail and is not comprehensive enough to allow a meaningful assessment. Thus, PGW is unable to develop its required report which would allow the collaborative parties to make a full assessment of both the proposal and its compliance with the Public Utility Code. Without either a final Supplier Proposal or input from the contemplated PGW report, it would appear unlikely that the Commission can make any determination on the legal questions raised in PGW's October 21, 2009 letter to the Commission.

As stated in its initial Comments, the OCA is prepared to continue to meet with the parties to consider the merits of a third party marketer program. It is necessary, however, for the NGSs to define a tangible proposal that can be evaluated based on specified provisions and reasonable expectations concerning its economic impacts for PGW and its ratepayers. A more detailed proposal could provide the basis for an evaluation of available options by PGW, the other collaborative parties, and by the Commission.

Respectfully Submitted,



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CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission :  
 :  
 v. : Docket No. R-2008-2073938  
 :  
 Philadelphia Gas Works – Petition for :  
 Emergency Rate Relief :

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

Dated this 4<sup>th</sup> day of November 2009.

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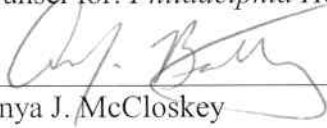
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