

ATTORNEYS AT LAW

William T. Hawke	Craig R. Burgraff
Kevin J. McKeon	Janet L. Miller
Thomas J. Sniscak	Steven K. Haas
Lillian Smith Harris	William E. Lehman
Scott T. Wyland	Katherine E. Lovette
Todd S. Stewart	Tori L. Giesler

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

November 5, 2008

VIA HAND DELIVERY

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building, 2nd Floor
400 North Street
Harrisburg, PA 17120

RE: Revision of Guidelines for Maintaining Customer Services
Establishment of Interim Standards for Purchase of Receivables (POR)
Programs; Docket No. M-2008-2068982

Dear Secretary McNulty:

Pursuant to the October 16, 2008, Secretarial Letter (“October 16 Letter”) issued in this proceeding, The Peoples Natural Gas Company d/b/a Dominion Peoples (“Dominion Peoples”) hereby submits comments on the Pennsylvania Public Utility Commission’s (“Commission”) inquiry regarding the revision of guidelines relating to customer service in order to implement Purchase of Receivables Programs (“PORS”) by Natural Gas Distribution Companies (“NGDCs”).¹ Dominion Peoples urges the Commission to revise the current Guidelines and to rethink the interim POR program process currently contemplated by the SEARCH Order – in particular, the “December 31, 2008 voluntary POR program filing deadline or option to file in the next 1307(f) proceeding or base rate case a cost of service study.”

The Commission has stated in the SEARCH Order its intention to commence a rulemaking proceeding by March 31, 2009 for the development of standardized rules for POR programs. The Commission also encouraged, as an interim measure, that NGDCs file voluntary PORs by December 31, 2008 or in the alternative, file a cost-of-service study with their next 1307(f) gas cost recovery proceeding or base rate case. However,

¹ *Guidelines for Maintaining Customer Services at the Same Level of Quality Pursuant to 66 Pa. C.S. §2206 (a), Assuring Conformance with 52 Pa. Code Chapter 56 Pursuant to 66 Pa. C.S. § 2207 (b), 2208 (e) and (f) and Addressing the Application of Partial Payments*, Docket No. M-00991249F003, Order entered August 27, 1999 (“Guidelines”).

the October 16 Letter emphasizes that the Commission has not concluded that POR programs will be mandatory and that program design is a central element to POR success. Dominion Peoples agrees with the Commission's most recent pronouncements of concerns in the October 16 Letter.

Additional careful consideration should be employed in determining the most orderly, cost-efficient, and fair process for POR program implementation. The current Guidelines are problematic and the adoption of POR programs will likely require numerous IT/billing system programming and implementation changes for NGDCs. It would be cost inefficient to require NGDCs to undertake these costs, as well as related costs for addressing customer/NGS billing disputes prior to unforeseen changes after the standardized rules are determined. Thus, NGDCs should not be required to employ voluntary interim POR programs that surely will be subject to modification after the anticipated rulemaking is concluded. Instead, the Commission should first implement necessary revisions to its current Guidelines, then undertake the POR rulemaking, followed by consideration of individual NGDC POR program filings.

It is significant that, in the October 16 Letter, the Commission has acknowledged that questions have arisen in the context of the recent Columbia rate proceeding² and in the SEARCH proceeding³ regarding whether revisions to the current Guidelines are necessary. The Commission has noted correctly its marked concern in the October 16 Letter that the Guidelines may provide for unequal treatment of customers depending on whether they purchase natural gas supply from an NGDC or a Natural Gas Supplier ("NGS"). Guideline 6 (a) (2), (No Termination for Failure to Pay Supply Charges)⁴ sets up a process that essentially prohibits an NGDC from using the Commission's Chapter 14 and Chapter 56 termination processes to address nonpayment of gas supply charges by a customer where the NGDC has purchased accounts receivable from an NGS. This Guideline should be modified to level the playing field.

Under Guideline 6 (a) (2), the NGDC is obligated to treat the delinquent gas supply charge in the same manner as the NGS – that is, the Choice customer's service cannot be terminated on the basis of the customer's failure to pay supply charges of the NGS. If an NGDC has purchased the accounts receivable of a NGS and the NGS customer fails to pay the supply charge, the NGDC is essentially prohibited from collecting the delinquent purchased account receivable from the customer until the customer is terminated for nonpayment of NGDC charges and collection activities are pursued. Application of the existing Guideline results in an uneven playing field for

² *Pennsylvania Public Utility Commission v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2008-2011621, et al.

³ *Investigation into the Natural Gas Supply Market: Report on Stakeholder's Working Group*, Final Order and Action Plan entered September 11, 2008 at Docket No. I-00040103F0002 ("SEARCH Order").

⁴ The specific Guidelines are set forth in Appendix A to the Order entered August 27, 1999 at Docket No. M-00991249F003.

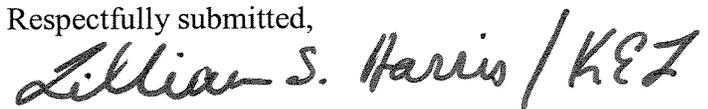
customers when an NGDC has purchased NGS receivables – a playing field tilted in favor of the Choice customer who has failed to pay NGS gas supply charges.

To remedy this problem, the current Guidelines should be modified to permit NGDCs to terminate a customer pursuant to Chapters 14 and 56 for failure to pay natural gas supply charges incurred while the customer was served by an NGS. Allowing NGDCs to terminate customers for failure to pay NGS related receivables is appropriate so that all customers (sales and Choice) are treated equally and fairly. If NGDCs are not able to terminate on NGS gas supply balances, Choice customers would be unfairly advantaged because, unlike a customer that purchases gas from the NGDC, a Choice customer would be able to maintain or restore service by paying a much lower amount (NGDC charges only). In addition, absent the NGDC ability to terminate on NGS balances, Choice customers that pay the NGDC charges but pay none or only a portion of the NGS charges would potentially build up outstanding balances that would be carried indefinitely. The NGDC would have no recourse on collection activity. Such a situation, at a time of credit availability issues and increasing credit costs, would likely result in added costs for other ratepayers. The existing Chapter 56 termination provisions allow for termination of unpaid NGDC-related supplier charges. Allowing termination on NGS balances would maintain existing consumer protection requirements with equal treatment for all customers.

As for the Commission's inquiry regarding potential statutory changes related to PORs, Dominion Peoples notes that one option to explore would be to pursue legislative changes that would permit NGDCs to employ a bad debt tracker. In Ohio, POR programs, combined with a bad debt tracker and NGDC authority to terminate on the NGS portion of the bill, have worked well to promote customer Choice programs and preserve SOLR service, alike. Revision of Section 1408 of the Public Utility Code, that currently prohibits surcharges for uncollectible expenses would be required in order to permit the NGDC use of a bad debt tracker. 66 Pa.C.S. § 1408.

Dominion Peoples appreciates that opportunity to comment on the questions raised in the October 16 Letter and requests that the Commission take these comments into consideration in determining the Commission's course of action with regard to POR programs in Pennsylvania.

Respectfully submitted,



Lillian S. Harris

Counsel for The Peoples Natural Gas
Company d/b/a Dominion Peoples

CC: James H. Cawley, Chairman (w/ enclosure via hand-delivery)
Tyrone J. Christy, Vice Chairman (w/ enclosure via hand-delivery)
Robert F. Powelson, Commissioner (w/ enclosure via hand-delivery)
(CC list continued to next page)

Kim Pizzingrilli, Commissioner (w/ enclosure via hand-delivery)
Wayne E. Gardner, Commissioner (w/ enclosure via hand-delivery)
Patricia Krise Burket, Assistant Counsel (via electronic mail)
Robert F. Young, Deputy Chief Counsel (via electronic mail)
Paul Diskin, Manager, Fixed Utility Services (via electronic mail)
Daniel Mumford, Policy Analyst (via electronic mail)