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December 12, 2013

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA ELECTRONIC FILING

**RE: Investigation of Pennsylvania's Retail Natural Gas Supply Market;
Docket No. I-2013-2381742**

Dear Secretary Chiavetta:

Enclosed please find the Comments of the Industrial Energy Consumers of Pennsylvania ("IECPA"), Central Penn Gas Large Users Group ("CPGLUG"), Columbia Industrial Intervenors ("CII"), PNG Industrial Intervenors ("PNGII"), and UGI Industrial Intervenors ("UGIII") (collectively, "Industrial Customer Groups") regarding the above-referenced proceeding.

Very truly yours,

McNEES WALLACE & NURICK LLC

By 

Elizabeth P. Trinkle

Counsel to Industrial Customer Groups

EPT/sar
Enclosure

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Investigation of Pennsylvania's
Retail Natural Gas Supply Market

Docket No. I-2013-2381742

**COMMENTS OF
INDUSTRIAL CUSTOMER GROUPS**

I. INTRODUCTION

On September 12, 2013, the Pennsylvania Public Utility Commission ("PUC" or "Commission") issued an Order opening a formal investigation into the current status of Pennsylvania's retail natural gas market ("Investigation").¹ The purpose of the Investigation, according to the Commission, is to "assess whether effective competition exists and make recommendations for improvements to ensure that a properly functioning and workable competitive retail natural gas market operates in the state."² In addition to setting forth the procedural structure of the Investigation, the RMI Order poses a number of questions regarding the current state of the retail natural gas market, including whether there is a continued need for the Commission to address standardized supplier tariffs and natural gas distribution company ("NGDC") business practices with regard to imbalance trading, tolerance bands, cash out and penalties, nominations and capacity.³

The Industrial Energy Consumers of Pennsylvania ("IECPA"), Central Penn Gas Large Users Group ("CPGLUG"), Columbia Industrial Intervenors ("CII"), PNG Industrial Intervenors

¹ *Investigation of Pennsylvania's Retail Natural Gas Supply Market*, Docket No. I-2013-2381742, Order (Sept. 12, 2013) ("RMI Order").

² *Id.* at 2.

³ *See id.* at 3-4.

("PNGII"), and UGI Industrial Intervenors ("UGIII"), (collectively, "Industrial Customer Groups") submit these Comments in order to respond to the Commission's renewed intent to address standardization of NGDC business practices and to urge the Commission to ensure that any initiatives adopted to promote retail competition for residential and small commercial customers do not adversely impact reliability, costs or service terms for Large Commercial and Industrial ("C&I") customers.⁴

IECPA is a 24 member *ad hoc* group of energy intensive industrial customers of electricity and natural gas. More than 41,000 Pennsylvanians are employed by IECPA member companies, which use significant amounts of electricity and natural gas in their operations. CPGLUG, CII, PNGII, and UGIII are all *ad hoc* groups of commercial, institutional and industrial customers of natural gas that participate in various proceedings before this Commission. As further discussed herein, the Industrial Customer Groups have long enjoyed the benefits of shopping for competitive retail natural gas supply. Although the Industrial Customer Groups recognize the need for increased competition among the residential and commercial customer classes, any changes to the retail natural gas market structure should preserve the status quo for Large C&I competition. To that end, the Industrial Customer Groups recommend that the Commission retain the currently effective NGDC business practices, which reflect the territory-specific issues of each NGDC's customers. The Industrial Customer Groups further recommend that the Commission carefully evaluate the likelihood of system reliability concerns when considering revisions to the retail natural gas market structure and ensure that any proposed changes do not adversely impact the costs and responsiveness of the market with respect to Large C&I customers.

⁴ The Industrial Customer Groups' failure to address a specific question raised in the RMI Order does not represent the Industrial Customer Groups' view on such question. The Industrial Customer Groups are only addressing primary areas of concern in these Comments.

II. COMMENTS

The RMI Order requests comment on a number of aspects of the current status of the retail natural gas market, including whether the current market structure can be improved to facilitate increased competition among the small commercial and residential customer classes. Of particular interest to the Industrial Customer Groups is the Commission's renewed interest in standardization of NGDC business practices. Recognizing that the Commission withdrew its 2009 Proposed Rulemaking regarding NGDC business practices,⁵ the RMI Order requests comment on the continued need for a rulemaking proceeding to address standardized supplier tariffs and business practices, specifically with regard to imbalance trading, tolerance bands, cash out and penalties, nominations and capacity.⁶

The Industrial Customer Groups understand the Commission's desire to bring the benefits of natural gas competition to other customer classes. Large C&I customers have long recognized and pursued competitive natural gas supply alternatives, even before the enactment of the Natural Gas Choice and Competition Act in 1999. In most areas of the Commonwealth, Large C&I customers no longer have the NGDC as their "backstop" or supplier of last resort ("SOLR") for gas supply services.⁷ Accordingly, the Commission's Investigation appropriately focuses on increased competition among the residential and small commercial classes. Although the Industrial Customer Groups do not wish to impede the Commission's efforts to extend competition to these customer classes, the Industrial Customer Groups urge the Commission to ensure that any initiatives adopted in furtherance of increased retail competition preserve the status quo for Large C&I customers. In the Industrial Customer Groups' view, standardization of NGDC business practices would not only disturb the status quo for Large C&I customers, it may

⁵ The Commission withdrew its proposed rulemaking in Docket No. L-2009-2069117 on December 1, 2011.

⁶ See RMI Order at 4.

⁷ See 66 Pa. C.S. § 2207.

also jeopardize reliability for these customers given the inflexible nature of the natural gas pipeline system.

As the Commission is aware, Large C&I customers have a long-standing tradition of shopping for alternative natural gas suppliers ("NGSs"). These customers have had the opportunity to transport natural gas procured from NGSs since the mid-1980s. Throughout this period, rules, terms and conditions for service to large transportation customers, including NGDC business practices, have been developed on an NGDC-specific basis through multiple tariff filings, cases and proceedings before the Commission. Large C&I customers have invested significant resources over the last 25 years to litigate territory-specific transportation service issues in numerous PUC proceedings. As the Commission has previously recognized, these rules generally have worked well for existing Large C&I customers.⁸

Although the RMI Order does not directly call for standardization of NGDC business practices, the Commission is "committed to a new proposed rulemaking on these issues." In light of the significant time and resources invested in the development of NGDCs' business practices, the Industrial Customer Groups view these terms of service as territory-specific. These practices were developed over decades through collaborative efforts by Large C&I customers and their respective NGDCs to address the unique considerations of transportation customers in individual service territories, and have been successful in adapting to changes in the retail natural gas market.⁹ Accordingly, the Industrial Customer Groups submit that

⁸ See *Natural Gas Distribution Companies and Promotion of Competitive Retail Markets*, Docket No. L-2008-2069114, Revised Final Rulemaking Order at 9 (June 23, 2011).

⁹ The terms and conditions developed to encourage the competitive Large C&I market have facilitated market maturity and are responsive to changes in the state of the retail natural gas market. For example, although the Commission determined in its 2005 *Report to the General Assembly on Pennsylvania's Retail Natural Gas Supply Market* that "effective competition" did not exist in Pennsylvania's natural gas market, Large C&I customers were at the time purchasing natural gas supply from both interstate pipelines and local suppliers. This competitive shopping pattern continued following discovery of the Marcellus Shale play without necessitating drastic changes to NGDCs' business practices.

standardization of NGDCs' business practices would adversely affect Large C&I customers by upending these carefully crafted and individualized schemes. Rather than attempt to standardize NGDC business practices, the Commission should maintain the status quo for Large C&I competition and allow incremental improvements to the level of natural gas competition in the Commonwealth to occur through the traditional processes.

Moreover, standardization of NGDC business practices for small commercial and residential customers may trigger reliability concerns for Large C&I customers. In the current state of the retail gas market, each NGDC is responsible for managing the supply and demand required to operate its distribution system. Given the rigidity of the natural gas pipeline system, Large C&I customers may face service curtailments if sufficient gas is not delivered to an NGDC's territory by suppliers serving the smaller customer classes. Such a result unduly penalizes Large C&I transportation customers in favor of other customer classes. The Commission should therefore ensure that any initiatives arising out of this Investigation, including revisions to NGDCs' business practices, preserve the status quo for Large C&I competition and maintain system reliability for all customers.

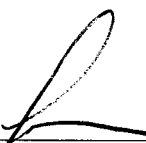
The Industrial Customer Groups look forward to participating in this Investigation, and reserve the opportunity to respond to all stakeholders' positions, issues and proposals raised during this process.

III. CONCLUSION

WHEREFORE, the Industrial Energy Consumers of Pennsylvania, Central Penn Gas Large Users Group, Columbia Industrial Intervenors, PNG Industrial Intervenors, and UGI Industrial Intervenors respectfully request that the Pennsylvania Public Utility Commission consider and adopt, as appropriate, the foregoing Comments.

Respectfully submitted,

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By 

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Dated: December 12, 2013

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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Dated this 12th day of December, 2013, at Harrisburg, Pennsylvania.