

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Uniform Cover and Calendar Sheet

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| 1. REPORT DATE: March 27, 2001 | 2. BUREAU AGENDA NO.: APR 12 PM 3:14 APR-2001-FUS-1000* RECEIVED SECRETARY'S BUREAU |
| 3. BUREAU: Fixed Utility Services | 5. PUBLIC MEETING DATE: |
| 4. SECTION(S): Energy | April 5, 2001 DOCKETED APR 12 2001 |
| 6. APPROVED BY: Director: Rosenthal 3-5242 Manager: Bennett 7-5553 Legal Review by: <i>[Signature]</i> 7-3464 | |
| 7. PERSONS IN CHARGE: Rodrock/Shurskis 3-6185 | |
| 8. DOCKET NO.: A-125095 | |

9. (a) **CAPTION (abbreviate if more than 4 lines)**
 (b) **Short summary of history & facts, documents & briefs**
 (c) **Recommendation**

(a) Natural Gas Supplier License Application of Alliance Energy Services Partnership
(Home Office: Louisville, KN)

(b) On October 26, 2000, Alliance Energy Services Partnership filed an application to offer, render, furnish or supply natural gas supply services to industrial customers in the service territories of Columbia Gas of Pennsylvania, Inc., National Fuel Gas Distribution Corp., and UGI Utilities, Inc. within the Commonwealth of Pennsylvania, as a broker/marketer of natural gas and natural gas services.

The License Application is filed in accordance with the requirements of Section 2208 of the Public Utility Code, 66 Pa. C.S. §2208 and the Commission's Order at M-00991249F0002 entered July 16, 1999.

(c) The Bureau of Fixed Utility Services recommends that the Commission adopt the proposed draft Order which approves the License Application.

10. **MOTION BY:** Commissioner Chm. Quain
SECONDED: Commissioner Bloom

Commissioner Brownell - Yes
 Commissioner Wilson - Yes
 Commissioner Fitzpatrick - Yes

CONTENT OF MOTION: Staff recommendation adopted.



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

APRIL 5, 2001

A-125095

KENNEDY HELM ESQUIRE
STITES & HARBISON
400 W MARKET ST
SUITE 1800
LOUISVILLE KY 40202-3352

Application of Alliance Energy Services Partnership to
become a licensed broker/marketer of natural gas services

To Whom It May Concern:

This is to advise you that the Commission in Public Meeting on April 5, 2001 has
adopted an Order in the above-entitled proceeding.

An Order has been enclosed for your records.

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Very truly yours,

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APR 10 2001

James J. McNulty
Secretary

Enclosure
Certified Mail
FG

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17105-3265

Public Meeting held April 5, 2001

Commissioners Present:

John M. Quain, Chairman
Robert K. Bloom, Vice Chairman
Nora Mead Brownell
Aaron Wilson, Jr.
Terrance J. Fitzpatrick

Application of Alliance Energy Services
Partnership to become a licensed
broker/marketer of natural gas services.

Docket Number: A-125095

ORDER

On October 26, 2000, Alliance Energy Services Partnership ("Alliance Energy") filed a License Application to operate as a broker/marketer of natural gas supply services in the Commonwealth of Pennsylvania. This application was filed pursuant to section 2208 of the Natural Gas Choice and Competition Act ("Act") and the Commission's Order ^{CM-00991249F0002} entered July 16, 1999.

§2208 provides in pertinent part that:

Requirements for Natural Gas Suppliers.--No entity shall engage in the business of a natural gas supplier unless it holds a license issued by the Commission. To the extent that a natural gas distribution company provides natural gas supply service outside of its chartered or certificated territory, it also must hold a license. A license shall not be required for customers who make de minimis incidental sales or resales to themselves, an affiliate or to other nonresidential retail gas customers.

66 Pa. C.S. § 2208.

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A natural gas supplier is defined as:

An entity other than a natural gas distribution company, but including natural gas distribution company marketing affiliates, which provides natural gas supply services to retail gas customers utilizing the jurisdictional facilities of a natural gas distribution company. The term includes a natural gas distribution company that provides natural gas supply services outside its certificated service territories. The term includes a municipal corporation, its affiliates or any joint venture, to the extent that it chooses to provide natural gas supply services to retail customers located outside of its corporate or municipal limits, as applicable, other than:

(i) as provided prior to the effective date of this chapter, pursuant to a certificate of public convenience if required under this title;

(ii) total natural gas supply services in de minimis amounts;

(iii) natural gas supply services requested by, or provided with the consent of, the public utility in whose certificated territory the services are provided; or

(iv) natural gas supply services provided to the municipal corporation itself or its tenants on land it owns or leases, or is subject to an agreement of sale or pending condemnation, as of September 1, 1999, to the extent permitted by applicable law independent of this chapter.

The term excludes an entity to the extent that it provides free gas to end-users under the terms of an oil or gas lease.

Notwithstanding any other provision of this title, a natural gas supplier that is not a natural gas distribution company is not a public utility as defined in section 102 (relating to definitions) to the extent that the natural gas supplier is utilizing the jurisdictional distribution facilities of a natural gas distribution company or is providing other services authorized by the Commission.

66 Pa. C.S. § 2202.

As used in the above definition of a natural gas supplier, the term natural gas supply services includes (i) the sale or arrangement of the sale of

natural gas to retail customers; and (ii) services that may be unbundled by the Commission under section 2203(3) of the Act (relating to standards for restructuring of the natural gas utility industry). Natural gas supply service does not include distribution service. 66 Pa. C.S. § 2202.

It is important to note that a licensee must comply with, and be governed by, our Chapter 56 regulations. Thus, we deem it appropriate to reiterate certain items with respect to Chapter 56 of our regulations. Chapter 56 (52 Pa Code Chapter 56) is applicable to residential and small commercial accounts. A natural gas supplier cannot physically disconnect a customer from the distribution system, and thus, the service termination provisions of Chapter 56 are not applicable to natural gas suppliers. A natural gas supplier may seek to terminate its natural gas services through an appropriate written notice to the customer and the local distribution company. The customer can then attempt to repair its relationship with the natural gas supplier, seek a new natural gas supplier, or default to the natural gas distribution company's service tariffed rates in accordance with the local distribution company's obligations under Section 2207(a), 66 Pa. C.S. §2207(a). The customer would only be disconnected from the distribution system pursuant to Chapter 56 if the customer failed to meet its obligations to the natural gas distribution company or the natural gas supplier which has been designated by the Commission as the supplier of last resort.

Additionally, we take this opportunity to once again remind the licensee that its officers, representatives and employees have agreed to abide by all Commission regulations, procedures and orders, including Emergency Orders which may be issued verbally, or in writing during any emergency situations that may develop from time-to-time in the course of doing business in Pennsylvania.

Alliance Energy has stated that upon the approval of this Application, it proposes to provide natural gas supply services to industrial customers in the service territories of Columbia Gas of Pennsylvania, Inc., National Fuel Gas Distribution Corp., and UGI Utilities, Inc.

Alliance Energy has provided an affidavit regarding proofs of publication in the Pennsylvania newspapers as required by the Commission to provide service in the following local distribution company's service territories: Columbia Gas of Pennsylvania, Inc., National Fuel Gas Distribution Corp., and UGI Utilities, Inc.

Regarding the financial and technical fitness requirements of the license application, Alliance Energy has submitted the 1998 and 1999 Annual Reports for Conoco Inc. Alliance Gas Services Inc. and Conoco Inc. each own 50% of Alliance Energy.

Section 2208 (c) (1), 66 Pa. C.S. section 2208(c)(1), provides that a natural gas supplier license shall not be issued unless the applicant furnishes a bond or other security in a form and amount to insure its financial responsibility. The criteria used to establish the form and amount of the bond or other security shall be set forth in the natural gas distribution company's restructuring filing. The amount and form of the bond or other security may also be mutually agreed to between the natural gas distribution company and the natural gas supplier. Section 2208 also provides that should the parties fail to achieve an agreement, then the form in the amount of bond or other financial security "shall be determined by criteria approved by the Commission." Alliance Energy has provided documentation to evidence its compliance with the Section 2208 (c) bonding requirement for each of the following natural gas distribution companies:

Columbia Gas of Pennsylvania, Inc., National Fuel Gas Distribution Corp., and UGI Utilities, Inc.

Alliance Energy has provided the required Pennsylvania Emergency Management Agency (“PEMA”) contact information.

As of March 27, 2001, no protests have been filed.

We find that the applicant:

1. Is fit, willing and able to properly perform the service proposed in conformance with applicable provisions of the Public Utility Code and the Commission orders and regulations, specifically including 52 Pa. Code Chapter 56 (relating to Standards and Billing Practices for Residential and Small Commercial Utility Service).
2. Has agreed to abide by all Commission regulations, procedures and orders, including Emergency Orders which may be issued verbally, or in writing during any emergency situations that may develop from time-to-time in the course of doing business in Pennsylvania.
3. Has proposed to offer natural gas supply services which, to the extent authorized by the license, will be consistent with the public interest and the policy declared in the Natural Gas Choice and Competition Act.

Upon full consideration of all matters of record, we find that approval of this application is necessary and proper for the service, accommodation and convenience of the public; **THEREFORE,**

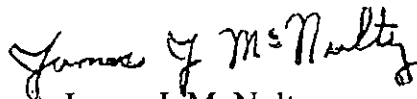
IT IS ORDERED:

1. That the application of Alliance Energy Services Partnership is hereby approved, consistent with this Order.

2. That a license be issued authorizing, Alliance Energy Services Partnership the right to begin to offer, render, furnish or supply natural gas supply services to the public within the following local distribution company service territories within the Commonwealth of Pennsylvania: Columbia Gas of Pennsylvania, Inc., National Fuel Gas Distribution Corp., and UGI Utilities, Inc.

3. That this proceeding at Docket No. A-125095 be closed.

BY THE COMMISSION,


James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: April 5, 2001

ORDER ENTERED:

APR 05 2001