



PEOPLES NATURAL GAS



PEOPLES TWP

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February 21, 2017

By Overnight Delivery

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

Re: Docket No. L-2016-2577413
Rulemaking to Amend the Provisions of 52 Pa.
Code, Chapter 59 Regulations Regarding Standards
for Changing a Customer's Natural Gas Supplier

Dear Secretary Chiavetta:

Please accept the enclosed Joint Comments of Peoples Natural Gas Company LLC and Peoples TWP LLC in the above-referenced proceeding. I have also served a copy of these comments via email to Daniel Mumford, dmumford@pa.gov, in the Office of Competitive Market Oversight, Matthew Hrivnak, mhrivnak@pa.gov, in the Bureau of Consumer Services, and Kriss Brown, kribrown@pa.gov, in the Commission's Law Bureau.

Please direct any questions regarding this filing to me.

Very truly yours,

William H. Roberts II

cc: Daniel Mumford, OCMO (via email)
Matthew Hrivnak, BCS (via email)
Kriss Brown, Law Bureau (via email)
(w/ enclosures)

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FEB 21 2017

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Rulemaking to Amend the Provisions of 52 Pa.)
Code, Chapter 59 Regulations Regarding) Docket No. L-2016-2577413
Standards for Changing a Customer's Natural)
Gas Supplier)

**JOINT COMMENTS OF PEOPLES NATURAL GAS COMPANY LLC
AND PEOPLES TWP LLC**

I. INTRODUCTION

Peoples Natural Gas Company LLC ("Peoples") and Peoples TWP LLC ("Peoples TWP") (the "Peoples Companies") submit these Joint Comments pursuant to the Advance Notice of Proposed Rulemaking Order ("ANOPR") entered by the Pennsylvania Public Utility Commission ("Commission") in this docket on December 22, 2016. The ANOPR proposes regulations intended to accelerate the process for transferring a customer's account from a service of last resort ("SOLR") provider to a competitive natural gas supplier ("NGS"), from one supplier to another supplier and from a supplier to SOLR service, while preserving safeguards to prevent the unauthorized switching of a customer's account.

The ANOPR states that the Commission believes accelerating the switching process is essential in creating a more consumer-driven marketplace, and making timeframes and procedures across the electric and natural gas industries as consistent as possible would avoid customer confusion and frustration.

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II. COMMENTS

A. Summary.

The Peoples Companies would oppose the adoption of the proposed rule in its current form but would not oppose a modified rule reflecting the changes discussed in these Joint Comments. The overriding reason for opposition to the proposed rule is its expected high cost of implementation with only speculative customer benefits to counter-balance the high implementation costs and ongoing, incremental operational costs. The primary modification that Peoples requests to the proposed rule is to limit the NGDC's obligation to perform only one off-cycle, three-business day switch of NGSs within a single billing period. The proposed rule has no limitation on the number of such off-cycle switches. The modified rule would have a much lower cost both in implementation and in ongoing operation.

Peoples has seen no evidence that its customers desire faster switching of NGSs than what is currently available. Nevertheless, Peoples acknowledges the Commission's interest in conforming procedures for switching natural gas suppliers to the procedures for switching electric generation suppliers ("EGSs"), where possible, and Peoples would not oppose, although it does not support, implementation of a three-business day time limit for a switch of NGS provided there is a one-time limit on the number of off-cycle switches within a single billing period.

The Peoples Companies are members of the Energy Association of Pennsylvania ("EAP") and endorse the comments submitted by EAP in this proceeding.

B. The cost of implementing billing and meter reading systems to support multiple off-cycle switching is too high.

The Commission's discussion at pages 5-6 and 24-25 of the ANOPR acknowledges that most Pennsylvania NGDCs do not have the same smart meter capability as the Pennsylvania electric distribution companies. The Peoples Companies, in fact, do not have the capability to gather on demand meter readings from their residential and small commercial customers and will not have that capability for a number of years. While approximately 254,000 customers currently have AMR, these installations utilize Encoder Receiver Transmitter ("ERT") technology that can only be read via a mobile unit in a drive by situation or via a premises visit. Over 413,000 other customers are manually read every other month. The Peoples Companies are six months into a 5-year AMR implementation project for these other customers that, upon completion, and with the installation of a fixed network, would allow for on demand meter readings from these customers. At the end of the 5-year program, the older AMRs will be converted, and the Peoples Companies plan to install a fixed network that will allow for on demand meter reading from all customers.

Until the completion of the Peoples Companies' AMR installation and conversion programs and fixed network, Peoples will still obtain meter readings by mobile units driving on a road in the vicinity of the meter. So, in order to obtain an off-cycle reading, a Peoples Companies' field technician would still have to drive to the customer's service location to receive a radio signal carrying the usage information

transmitted by the AMR. The Peoples Companies, therefore, intend to rely on a usage estimates for an off-cycle NGS switch.¹

By relying on usage estimates rather than actual meter readings, the Peoples Companies do not expect to incur incremental, high *metering* costs related to the off-cycle switching program. This does not, however, mean that Peoples does not expect to incur material, incremental costs.

First, every bill issued that is not based on an actual company meter reading carries with it a different potential for inaccuracy, mistake or simply disagreement than a bill based on a company meter reading. Each inaccuracy, mistake or disagreement carries a higher potential for customer service contact, for cancellation of the bill, and for a re-bill. Peoples expects this would be even more the case where the alleged inaccuracy, mistake or disagreement relates to a bill that was generated because the customer desired a quick switch to a new NGS with expected gas cost savings. Thus, if the Peoples Companies implement an off-cycle NGS switching program based on estimated meter readings, we expect the program will produce increased customer service center call activity and increased bill cancellation and re-bills.

Second, the Peoples Companies will incur incremental billing costs. The Peoples Companies' billing system is currently designed to issue one bill per billing cycle, and the Peoples Companies dos not plan to change that. Still, to produce the estimated read on the off-cycle NGS switch and to change the billing and bill print programs to show the

¹ While use of estimated reads is expected to increase customer service costs, as described below, the Peoples Companies believe that accepting customer meter readings for an accelerated switch of NGSs would create even more potential billing disputes than use of estimated readings due to, for example, a customer producing a meter reading later than promised and too late for it to be used in the switch.

charges for both suppliers on the monthly bill will require programming modifications with an estimated cost of \$400,000.

C. There is no apparent demand for unlimited, off-cycle switching, making incremental costs for that service unnecessary.

The Peoples Companies have not had a significant number of customer choice customers demanding, requesting, or even inquiring about changing suppliers during the monthly billing cycle. Still, Peoples can and is willing to accommodate one mid-cycle switch per customer per month for which the Peoples Companies would incur material but not huge programming costs of \$400,000. However, in order to accommodate multiple, mid-cycle switches per customer per month, the projected billing implementation costs would increase by more than \$1 million. As the Commission is fully aware, Pennsylvania NGDCs have unprecedented capital requirements related to accelerated pipeline replacement programs. Peoples simply does not see the public interest in diverting capital from infrastructure improvement to billing system modifications to provide a service that is not supported by public demand.

D. One off-cycle switch per month satisfies the goal of shortening the time it takes to switch and preserving safeguards to prevent the unauthorized switching of a customer's account.

The Commission stated in the ANOPR that the proposed regulations are intended to accelerate the process for transferring a customer's account from a SOLR provider to a competitive NGS, from one supplier to another supplier, and from a supplier to SOLR service, while preserving safeguards to prevent the unauthorized switching of a customer's account. The Peoples Companies proposed limit of one off-cycle switch per month applies to a switch from one competitive NGS to another or to a switch from the SOLR to a

competitive NGS. After either of these switches is made, the customer would still be able to switch to the SOLR during the same billing period.

In addition to shortening the time for switching suppliers, the Peoples Companies' procedure also benefits the Commission's second purpose of preserving safeguards to prevent the unauthorized switching of a customer's account.

E. Cost Recovery.

The Peoples Companies anticipate that implementation costs of accelerated switching procedures would be recoverable pursuant to 66 Pa. C. S. A. § 2205 (c) (7) that states: "Natural gas distribution companies shall have the right to recover on a full and current basis all prudent and reasonable costs incurred to implement customer choice from retail natural gas customers or other entities as determined by the commission. Recovery from retail natural gas customers shall be made pursuant to a reconcilable automatic adjustment clause under section 1307 (relating to sliding scale of rates; adjustments)." The Peoples Companies non-opposition to a modified proposed rule is conditioned on cost recovery pursuant to the § 2205(c)(7) procedures. This is consistent with the use of a non-bypassable surcharge for cost recovery in other customer choice proceedings.² The Peoples Companies are, therefore, concerned with and request that the Commission reconsider and clarify the language in the ANOPR directing gas utilities to recover such costs through a base-rate proceeding.

² *Investigation of Pennsylvania's Retail Natural Gas Market: Joint Natural Gas Distribution Company – Natural Gas Supplier Bill*, Docket No. M-2015-2474802, Order Entered July 8, 2015; *NGDC Customer Account Number Access Mechanism for NGSs –Peoples Natural Gas Company LLC, Peoples Natural Gas Company LLC – Equitable Division and Peoples TWP LLC*, Docket No. M-2015-2468991, Order Entered June 30, 2016.

WHEREFORE, the Peoples Companies respectfully request that the Commission accept these Joint Comments and give them due consideration in this proceeding.

Respectfully submitted,

PEOPLES NATURAL GAS COMPANY
LLC

PEOPLES TWP LLC

By: *William H. Roberts II*

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Dated: February 21, 2017



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COMPANY **Peoples Natural Gas Company, ES**

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CITY AND STATE **Pittsburgh PA 15212**
 ZIP CODE

CITY AND STATE **Pittsburgh PA 15212**
 ZIP CODE

2) EXTREMELY URGENT DELIVERY TO

NAME **Rosemary Chiavetta**
 TELEPHONE **717 772 7777**

COMPANY **PA PUC**

STREET ADDRESS **400 North Street - Keystone Bldg**
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CITY AND STATE (INCLUDE COUNTRY IF INTERNATIONAL) **Harrisburg PA**
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TELEPHONE

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375 North Shore Drive
Pittsburgh PA 15212

EXTREMELY URGENT DELIVERY TO

TELEPHONE

Rosemary Chiavetta 717 772 7777
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400 North Street - Keystone Bldg
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