

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Investigation Into Competition in the :
Natural Gas Supply Market : Docket No. I-00040103

**PREPARED DIRECT TESTIMONY
OF
WILLIAM E. McKEOWN, DIRECTOR,
PRICING AND REGULATORY AFFAIRS,
THE PEOPLES NATURAL GAS COMPANY, d/b/a
DOMINION PEOPLES**

Dated: August 27, 2004

Dominion Peoples' Statement No. 1

1 Q. Please state your name and business address.

2 A. My name is William E. McKeown. My business address is 625 Liberty Avenue,
3 Pittsburgh, PA 17222.

4

5 Q. By whom are you employed and in what capacity?

6 A. I am employed by The Peoples Natural Gas Company d/b/a Dominion Peoples
7 (“Dominion Peoples”) as Director, Pricing and Regulatory Affairs.

8

9 Q. Please describe briefly your educational background and work experience.

10 A. I was graduated from The Pennsylvania State University in 1978 with a Bachelor of Science
11 Degree in Business Administration. I earned a Master of Business Administration Degree
12 from Duquesne University in 1983. I have attended in-house training courses on economic
13 evaluation and the ratemaking process. I also have attended the American Gas Association
14 course on gas rate fundamentals.

15 Prior to my employment with Dominion Peoples, I was employed by Consolidated
16 Natural Gas Service Company, Inc. ("Service Company"). Beginning in September, 1978, I
17 was employed as an auditor in the Internal Auditing Department. In October, 1980, I
18 transferred to the Service Company's Rates and Certificates Department. I held various
19 positions of increasing responsibility within that Department. During that time, I supervised
20 the preparation of cost of service studies for Hope Gas, Inc. and CNG Transmission
21 Corporation, and supervised the preparation of supporting data for the filing of rate
22 proceedings for Hope and CNG Transmission before the West Virginia Public Service
23 Commission and the Federal Energy Regulatory Commission (“FERC”), respectively. In

1 August, 1987, I joined Dominion Peoples as an Assistant Director, Rates, and was appointed
2 to the position of Director, Rates and Regulatory Affairs on January 1, 1991. In that
3 position, I was responsible for the management of the rate functions, including general rate
4 increase proceedings, 1307(f) proceedings, special rates and special studies, and
5 involvement at the FERC. I was also responsible for managing the development of and
6 support for all of Dominion Peoples' Public Utility Commission-approved rates for
7 Pennsylvania supply, delivery, and other services.

8 Subsequently, in November, 1997, I became Executive Assistant to the President. In
9 that position, I was responsible for financial planning, company operating and capital
10 budgets, gas requirements planning and forecasting, and strategic analysis. On March 30,
11 1999, I was appointed Director, Regulatory PGA Accounting, Pennsylvania Representative.
12 In this position, I was responsible for managing the recovery of natural gas costs by all of
13 the local distribution companies in the CNG system and for acting as Dominion Peoples'
14 primary regulatory liaison with this Commission. I was appointed to my current position on
15 January 1, 2000. My responsibilities include managing rate functions for system LDCs in
16 Pennsylvania and West Virginia, coordinating all of the system's LDCs' activities before the
17 FERC, and requirements planning for all of the LDCs.

18
19 Q. What is the purpose of your testimony in this proceeding?

20 A. The purpose of my testimony is to respond to the Pennsylvania Public Utility's
21 Commission's ("PUC or Commission") inquiry regarding whether effective competition
22 for natural gas supply exists in the Commonwealth. In its Order entered on May 28,
23 2004, the Commission initiated an investigation pursuant to Section 2204(g) of the

1 Natural Gas Choice and Competition Act (“the Act”). In the Order, the Commission
2 asked the parties to address several specific topics in their written testimony and invited
3 parties to address other topics that are relevant to assessing competition in the
4 Pennsylvania natural gas supply market. While I cannot speak for the other Natural Gas
5 Distribution Companies (“NGDCs”) or Natural Gas Suppliers (“NGSs”), my testimony
6 informs the Commission of Dominion Peoples’ experience with natural gas supply
7 competition in Dominion Peoples’ certificated territory. I will describe the steps that
8 Dominion Peoples has taken to address retail choice and identify a few potential
9 measures that, if employed, Dominion Peoples believes could strengthen competition in
10 natural gas supply markets in the Commonwealth.

11
12 Q. What do you mean by “steps that Dominion Peoples has taken”?

13 A. At the threshold, I note that the Act was designed to allow retail gas customers to choose
14 among NGSs and NGDCs for natural gas supply. At the same time, however, the Act did
15 not address the customers’ choice of NGDCs; it preserved NGDCs’ tariff rate schedules,
16 and riders incorporated into tariffs, and policies or programs existing on the effective date
17 of the Act.

18 Turning to your specific question, although the Act became law on June 22, 1999,
19 Dominion Peoples began a process in 1984 to give its ratepayers the opportunity to
20 choose their NGSs and to use Dominion Peoples’ transportation service to deliver the
21 customers’ gas. The first step in that process was the unbundling of Dominion Peoples’
22 bundled sales rates into transportation and natural gas cost components. Our initial effort
23 began in 1984, and was addressed exclusively to our largest industrial customers. For

1 three years thereafter, we unbundled all of our sales rates and introduced separate rates
2 for standby and storage services. As that was occurring, more and more of our industrial
3 and larger commercial customers began to shift from sales service to transportation
4 service.

5 In 1989, we began to allow NGSs and marketers to pool or aggregate customer
6 supplies on our systems, so that they could serve groups of customers as efficiently and
7 economically as possible. Then, in 1992, we eliminated the so-called “volumetric
8 threshold” from our tariff that has made the availability of Dominion Peoples’
9 transportation service dependent upon the amount of gas that a customer consumed each
10 year. As a result of that change, we made transportation service available to all of our
11 customers, including our smallest ones. In 1997, we introduced our Energy Choice
12 Program, a comprehensive and continuing effort to educate our residential and small
13 commercial customers on their opportunity to choose an NGS and to encourage NGSs to
14 make their services available to those customers. In effect, our Energy Choice Program
15 brought Dominion Peoples into compliance with the customer choice and other
16 provisions of the Act two years before it became law.

17
18 Q. Was that the end of the process for Dominion Peoples?

19 A. No. In our 1307(f)-1998 natural gas cost recovery proceeding, the Commission directed
20 Dominion Peoples to address certain “restructuring issues” in our 1307(f)-1999
21 proceeding. Those “restructuring issues” included Dominion Peoples’ plans for
22 maintaining or abandoning the provision of retail service, including plans with respect to
23 our renewal or termination of interstate transportation and storage contracts, our

1 obligation to serve, metering and billing services, standby service, storage service, and
2 recovery of stranded natural gas costs. In anticipation of having to satisfy that directive,
3 Dominion Peoples, in late 1998, invited a cross-section of natural gas industry
4 stakeholders to participate in what we refer to as the “Peoples Collaborative,” a series of
5 meetings among the stakeholders in which we discussed and tried to reach agreement on
6 critical restructuring issues. We were aware, when we began the Peoples Collaborative,
7 that the Pennsylvania General Assembly was considering comprehensive restructuring
8 legislation -- what became the Act -- that would likely require Dominion Peoples to file a
9 separate restructuring case with the Commission in 1999.

10
11 Q. What was the outcome of the Peoples Collaborative?

12 A. The Peoples Collaborative produced a formal settlement among seven of the participants.
13 that provided a framework for the manner in which Dominion Peoples addressed certain
14 issues in its 1307(f)-1999 proceeding. Most significant of those issues were Dominion
15 Peoples’ future obligation to serve and the manner in which it would satisfy that
16 obligation through the reservation and assignment of natural gas supply assets. These are
17 two of the critical issues that were addressed by the Act.

18
19 Q. What happened next?

20 A. Peoples filed its 1307(f)-1999 case on April 1, 1999, and a significant part of that case
21 was addressed to the restructuring issues identified by the Commission in our 1307(f)-
22 1998 case, as refined by the efforts of the Peoples Collaborative. Many of the entities
23 that participated in the Peoples Collaborative also participated in Dominion Peoples

1 1307(f)-1999 proceeding. They included the three public advocates, a group of
2 Dominion Peoples' largest industrial customers, two major natural gas marketers that
3 were operating on Dominion Peoples' system and that were participating actively in
4 Dominion Peoples' Energy Choice Program, and the Independent Oil and Gas
5 Association of Pennsylvania, a trade association that represents both marketers and
6 Pennsylvania natural gas producers.

7
8 Q. How was Dominion Peoples' 1307(f)-1999 proceeding resolved?

9 A. Dominion Peoples' 1307(f)-1999 proceeding was resolved via a settlement that was
10 approved by the Commission. The Settlement Agreement included the following issues
11 that also are raised by the Act: 1) action on Dominion Peoples' then-existing interstate
12 pipeline capacity contracts; 2) balancing; 3) Dominion Peoples' reservation and
13 assignment of gas supply assets; and 4) Dominion Peoples' obligation to serve.

14
15 Q. You mentioned previously that the Act became law in June, 1999. What was Dominion
16 Peoples' response to it?

17 A. When the Act became law, the Commission issued an order adopting various filing
18 requirements for NGDCs. On August 2, 1999, Dominion Peoples filed its testimony and
19 related documentation in response to the Commission's July 15, 1999 Order directing
20 that submission. The filing included Dominion Peoples' "Restructuring Plan" and two
21 tariff supplements, the first of which governed rates, terms and conditions of Dominion
22 Peoples' services to what are defined as "retail gas customers" in the Act and a second
23 tariff supplement that contained the rates, terms and conditions of Dominion Peoples'

1 services to what are defined as “NGSs” by the Act. As to the former, almost all of the
2 rates, terms and conditions that appeared in Dominion Peoples’ retail tariff exhibit had
3 already been approved by the Commission and appeared in Dominion Peoples’ then-
4 effective tariff. As for the latter tariff supplement, Dominion Peoples noted in its filing
5 that it had included most of the contents of the rates, terms and conditions in its contracts
6 with suppliers or as part of operating rules that it expected NGSs to honor.

7
8 Q. What was the outcome of Dominion Peoples’ Restructuring Proceeding?

9 A. Dominion Peoples was able to reach a comprehensive settlement of its Restructuring
10 Proceeding with the three public advocates, Peoples Industrial Intervenors, TXU Energy
11 Trading Company, Statoil Energy Services, Inc., Columbia Energy Services Corporation
12 and CNG Retail Services, Inc. Statements of non-opposition to the comprehensive
13 settlement also were filed by T.W. Phillips Gas & Oil Company, Enron Energy Services,
14 Inc., Independent Oil and Gas Association of Pennsylvania, and PECO Energy Company.
15 The Commission entered an Order approving Dominion Peoples’ Restructuring
16 Settlement on January 31, 2000. The tariff terms and conditions established in Dominion
17 Peoples’ Restructuring Proceeding have not changed significantly since that time. The
18 vast majority of the tariff language that was agreed to then remains in place today.

19
20 Q. Can you summarize your testimony to this point?

21 A. Yes. Through a series of actions that started in 1984, Dominion Peoples already had
22 addressed and resolved many of the issues that NGDCs were directed to address in the
23 restructuring cases that were spawned by the Act. Those issues included the unbundling

1 of rates, choice of gas commodity suppliers for all customers regardless of size or
2 customer classification, open access to natural gas suppliers and marketers, consumer
3 education, obligation to serve, and reservation and assignment of natural gas supply
4 assets. As a result, the focus of Dominion Peoples' Restructuring Proceeding was
5 necessarily narrower than it might have been for other NGDCs. Dominion Peoples
6 resolved all "pending" restructuring issues through the settlement reached with all parties,
7 as described above.

8
9 Q. How is the remainder of your testimony organized?

10 A. My testimony tracks the seven topics identified in the Commission's request for written
11 testimony in its May 28, 2004 Order. The last section of my testimony addresses other
12 issues relevant to assessing competition in the Pennsylvania natural gas supply service
13 market. In addition, I would note that Dominion Peoples has today filed answers to the
14 questions that the Commission addressed to NGDCs in Annex A to its May 28, 2004
15 Order.

16
17 **ASSESSMENT OF THE LEVEL OF COMPETITION IN PENNSYLVANIA'S**
18 **NATURAL GAS SUPPLY MARKET**

19
20 Q. What is Dominion Peoples' assessment of the level of competition in Pennsylvania's
21 natural gas supply market, at least as it applies to Dominion Peoples?

22 A. In 1986, we had less than 100 commercial and industrial customers who were using
23 unbundled transportation service in purchasing their supplies on the open market.
24 Shortly after the Act became law in 1999, we had about 128,000 residential, commercial
25 and industrial transportation customers purchasing their supplies on the open market.

1 That represented more than 1/3 of Dominion Peoples' customers and about 2/3rds of
2 Dominion Peoples' volumetric throughput. As of today, we have about 96,000
3 residential, commercial, and industrial transportation customers, which represents about
4 27% of our market. Volumetrically, transportation today still represents greater than 50%
5 of our total throughput.

6 Dominion Peoples considers choice to be a success on its system. We have seen,
7 however, a decline in the number of transportation customers since 1999; Dominion
8 Peoples attributes this decline to several factors. We believe that customer participation
9 in choice is derivative of NGS participation and activity. There are fewer NGSs
10 operating in Dominion Peoples' certificated territory today than in 1999 and 2000. In
11 1999, there were 37 suppliers, whereas today there are 20. While it is difficult to
12 pinpoint the reasons for the decline, Dominion Peoples can identify at least two
13 possibilities, including the general winnowing out of some new entrants in the gas supply
14 business and, to a lesser extent, the legislative change that leveled the playing field for
15 NGDCs and NGSs on the application of the Gross Receipts Tax to sales of natural gas.

16
17 Q. Could you explain what you mean in more detail?

18 A. We believe that, as with any normal business cycle, the Pennsylvania natural gas supply
19 market is in the process of maturing. It experienced the usual influx of new entrants
20 when the Act presented new opportunities for marketers and heightened consumer
21 interest in choice. As with other business sectors, some NGSs were better at the gas
22 supply business than others. We believe that the decline in the number of suppliers is
23 attributable at least in part to this natural business phenomenon. One aspect of this was

1 that some marketers may not have been able to adjust to the marked natural gas price
2 spikes in recent years.

3 In addition, when the Act was under consideration there was a built-in advantage
4 for NGSs over NGDCs in marketing gas to consumers because the Pennsylvania Gross
5 Receipts Tax was not applicable to sales of natural gas by NGSs, but it was applicable to
6 NGDCs' gas sales. The General Assembly eliminated the 5% disparity for NGSs by
7 repealing the Gross Receipts Tax for sales of natural gas.

8
9 **THE EFFECT OF THE PRICE OF NATURAL GAS ON COMPETITION**

10 Q. Do you have an opinion about whether the price of natural gas has been a significant
11 driver in Pennsylvania's natural gas supply market?

12 A. We believe that the price of natural gas has had an effect on competition, and I make the
13 following general observations in that regard. Since 2000, we have seen natural gas
14 prices double from historical levels and, correspondingly, that is the timeframe when we
15 have seen the greatest number of transportation customers return to Dominion Peoples'
16 sales service and NGSs exit the gas supply market on our system. We have little doubt
17 that there is a direct relationship between these events. Having so stated, Dominion
18 Peoples believes that NGSs would be in a better position to inform the Commission about
19 their experience in this regard.

20
21 **THE EFFECT OF CONSUMER EDUCATION ON COMPETITION**

22 Q. Do you have an opinion about the effect of consumer education on competition?

1 A. In order to jumpstart our Energy Choice Program, in 1997, we undertook a significant
2 consumer education effort to familiarize our customers with the opportunity to choose
3 and the mechanics of how to choose an alternate gas supplier. In addition, in response to
4 the provisions in the Act, the Commission also required additional consumer education
5 measures to be undertaken by NGDCs in 1999 and thereafter.

6 Dominion Peoples undertook a consumer education campaign that appears to
7 have been quite effective, but we believe that there are diminishing returns to be gained
8 from further large-scale consumer education campaigns. In short, Dominion Peoples’
9 customer base is well aware of the opportunity to choose, based upon the extensive
10 consumer education campaign that Dominion Peoples undertook in the late 1990’s, and
11 while Dominion Peoples continues to provide consumer education on customer choice,
12 the vast majority of its customers are aware of the opportunity to choose and how to
13 undertake it.

14

15 **THE EFFECT OF CUSTOMER INFORMATION/SERVICE ON COMPETITION**

16 Q. In your opinion, what has been the effect of customer information/service on natural gas
17 supply competition?

18 A. My first observation is that the NGDC’s service should not have an effect on whether a
19 customer chooses an alternate supplier. This is because the NGDC is always in the
20 picture as the distributor of the gas supply that is acquired from an NGS. So the NGDC’s
21 service should not really impact the customer’s decision to choose or not to choose an
22 alternate gas supplier.

1 As for the customer service being provided by the NGS, I would note that the
2 customer always receives gas regardless of whether the customer's gas supplier is
3 meeting its supply obligation into the pool. Whether the NGS is actually delivering
4 enough natural gas supply to the NGDC's system to cover its contractual obligations is
5 essentially invisible to the end-user. Obviously, the NGS would have a balancing
6 obligation with the NGDC, but as for the end-user, the service "inadequacy" -- that is, the
7 under-delivery by the NGS -- would not be a service issue that would impact the end-
8 user's choice of that supplier in most instances.

9 There may be other "service" issues, like problems with billing or other matters
10 where the NGS is dealing directly with the customer, that may impact the customer's
11 decision on whether to choose an alternate gas supplier, but because we do not get
12 involved with those matters, Dominion Peoples does not have an opinion about them.
13 We believe that NGSs would be in a better position to testify about that point. It is
14 important to recognize, however, that Dominion Peoples provides billing services for
15 NGSs that choose not to undertake that function. We believe that this has helped NGSs
16 to stay in business by avoiding the costs of establishing and managing customer billing
17 systems.

18 As for customer information, to Dominion Peoples' knowledge, the restrictions on
19 the ability to disseminate customer information that the Commission has employed does
20 not seem to be an impediment to natural gas supply competition. There may be more
21 information that an NGS may desire regarding customer usage that could aid the NGS in
22 performing its gas supply planning and thereby reduce its costs, but as for the customer
23 information requirements that the Commission currently has in place, Dominion Peoples

1 does not perceive them to be a detriment to natural gas supply competition in
2 Pennsylvania. Furthermore, early on, the Commission recognized the need to make
3 information about prices available to customers. In Dominion Peoples view, this was
4 right on target. Making information available to customers through various sources such
5 as unbundled NGDC prices and price-to-compare data has greatly helped competition in
6 Pennsylvania and is essential to a successful choice program.

7
8 **THE EFFECT OF SUPPLIER FINANCIAL SECURITY REQUIREMENTS ON**
9 **COMPETITION**

10
11 Q. Do you have an opinion on how Dominion Peoples' supplier financial security
12 requirements have affected NGS competition in Dominion Peoples' certificated territory?

13 A. Yes. I would begin by noting that Dominion Peoples' financial security requirements for
14 NGSs have not changed since Dominion Peoples' Restructuring Settlement in early 2000.
15 As you will recall, that settlement was either supported or not opposed by the vast
16 majority of NGSs operating on Dominion Peoples' system at that time. Further, to my
17 knowledge, no NGS has complained to the Commission regarding Dominion Peoples'
18 supplier financial security requirements in the past 5 years. So, I would say that the
19 supplier financial security requirements on our system are not negatively affecting natural
20 gas supply competition.

21 Obviously, the security requirements are designed to ultimately protect the
22 customers. They are employed to ensure that an NGS is financially able to secure
23 adequate supply to serve the load it commits to serve. They also serve to safeguard the
24 NGDC (and ultimately the NGDC's customers) from having to bear the cost of an
25 insolvent NGS's abandoning its obligations.

1 **THE EFFECT OF NGDC PENALTIES AND OTHER COSTS ON COMPETITION**

2 Q. Do you have an opinion about the effect of Dominion Peoples’ penalties and other costs
3 on natural gas supply competition?

4 A. While I know that the Commission requested that the written testimony submitted in
5 response to its Order address this topic, Dominion Peoples has had limited experience in
6 this regard. Dominion Peoples has imposed some penalties on NGSs over the course of
7 refining its Energy Choice Program, but to my knowledge no NGS has left Dominion
8 Peoples’ certificated territory as a result of having incurred penalties. Dominion Peoples
9 has received some negative feedback from NGSs regarding our imbalance charges, but in
10 my opinion, elimination of the penalties applied for failure to deliver adequate gas
11 supplies is not a viable option. These supply-related penalties help to deter gas suppliers
12 from breaching their obligation to supply sufficient gas supplies for transportation
13 customers in their pools, which negatively impacts system reliability. My previous
14 comments regarding consumer protection apply equally here, and I will not repeat them.

15
16 **AVENUES FOR ENCOURAGING INCREASED NATURAL GAS SUPPLY**
17 **COMPETITION IN PENNSYLVANIA**

18
19 Q. Do you have any thoughts on possible measures that may encourage increased natural gas
20 supply competition in Pennsylvania?

21 A. Yes. First, let me say that we believe energy choice is working in Pennsylvania.
22 Generally, customers understand their options, but unfortunately, at this time, there are
23 not many marketers participating for the smaller volume customers. As I mentioned
24 previously, we at Dominion Peoples believe that customer participation in natural gas
25 choice is directly related to the number of participating NGSs. Increased natural gas

1 competition can be achieved by finding ways to encourage NGS participation. Perhaps
2 the best way to identify these measures is to look at other natural gas choice programs,
3 find those that are successful, and examine the reasons why they are successful.
4

5 Q. Have you found any other successful natural gas choice programs?

6 A. Yes, right next door in Ohio. Natural gas choice participation on Ohio's two largest
7 natural gas distribution companies is quite successful. At Columbia Gas of Ohio
8 (Columbia), 540,000 of Columbia's 1.35 million customers (or 40%) are participating in
9 natural gas choice. At Dominion East Ohio, (DEO), 598,500 of DEO's 1.16 million
10 customers (or 52%) are participating in natural gas choice. Further, DEO currently has
11 about 45 NGSs that provide supply service to these customers.

12 We examined the program of our affiliate, DEO, compared it to the Dominion
13 Peoples' program and even received some feedback from a few NGSs participating on
14 the DEO system. First of all, understand that many administrative aspects of the DEO
15 and Dominion Peoples programs are essentially the same. For example, we both utilize
16 the same gas nominations system and customer billing system. Therefore, we concluded
17 that the administrative aspects of our natural gas choice program, such as gas supply
18 nominations, volume tracking, balancing reporting, and the manner in which customer
19 enrollment data is transferred, should not be a deterrent to NGSs.

20 We did, however, determine that certain unique aspects of the DEO program
21 likely contribute to the higher levels of NGS participation in DEO's program. The
22 common thread among these is that they help to lower an NGS's overall operating and
23 customer acquisition costs. They are:

- 1 1) Purchasing of NGS Receivables by DEO and Bad Debt Cost Tracker – The primary
2 business focus of NGSs is to acquire and supply gas on behalf of customers. In
3 situations where an NGS serves hundreds and perhaps thousands of customers, such
4 as in the residential and small commercial markets, “credit and collection” related
5 activities could be a significant cost component. The Public Utility Commission of
6 Ohio (PUCO) addressed this issue by requiring NGDCs to purchase the “receivables”
7 from the NGS. When purchasing the receivables, the NGDC remits to the supplier a
8 percentage of the amounts billed on behalf of the NGS regardless of whether the
9 customer pays the full amount of the bill. Additionally, the PUCO permits some of
10 the NGDCs to recover both utility- and supplier-related bad-debt costs from all
11 ratepayers through a tracker. Combined, these two items serve to greatly reduce and
12 stabilize the collection costs for the NGS while making natural gas choice available to
13 a much broader group of customers regardless of the customer’s ability to pay.
14 Dominion Peoples believes that a bad debt tracker would enable Pennsylvania
15 NGDCs to purchase gas suppliers’ receivables in the same way as permitted in Ohio.
- 16 2) Municipal Aggregation with Optional Opt-Out Provisions – State law in Ohio permits
17 customers within a given municipality to be aggregated so that, combined, they can
18 receive natural gas supply service from a single NGS. This law also requires that
19 customers be provided with the option of opting out of a particular municipal
20 aggregation pool. This allows the natural gas consumers located in member
21 municipalities to negotiate the best rates in the aggregate. Also, the potential to
22 combine hundreds and thousands of residential and small commercial customers into

1 a buying pool is very attractive to NGSs and greatly reduces customer acquisition
2 costs.

3 3) Market Size Opportunities – The customer bases of DEO and Columbia -- the two
4 most successful programs in Ohio -- are significantly larger than the customer bases
5 of the NGDCs in Pennsylvania. As I previously stated, both DEO and Columbia have
6 in excess of 1,000,000 customers in Ohio. The larger natural gas utilities in
7 Pennsylvania have from 250,000 to 500,000 customers. Obviously, marketers see a
8 benefit in the opportunity to accumulate a significant number of customers. Our
9 experience is that only 30% to 60% of the customer base will choose an alternate
10 supplier because of customer indifference, inertia and the like. In smaller markets,
11 like in Pennsylvania, the marketer may not see enough potential to spend the time and
12 money to accumulate a small number of customers. A solution may be for an NGDC
13 in Pennsylvania to exit the merchant function, an event that would potentially enable
14 NGSs to accumulate a critical mass of customers.

15
16 Q. Does this conclude your testimony?

17 A. Yes.

18 Thank you very much.