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March 2, 2007

**VIA EXPRESS MAIL**

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

**Re: Default Service and Retail Markets - Proposed Policy  
Statement, Docket No. M-00072009**

Dear Secretary McNulty:

Enclosed for filing, please find an original and fifteen (15) copies of the Comments of UGI Utilities, Inc. – Electric Division (“UGI”) submitted in response to the Commission’s above-captioned Proposed Policy Statement. An electronic copy of these comments has also been submitted to Shane Rooney at [srooney@state.pa.us](mailto:srooney@state.pa.us).

Should you have any questions concerning this submission, please feel free to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Mark C. Morrow", with a long, sweeping horizontal line extending to the right.

Mark C. Morrow

Counsel for UGI Utilities, Inc. –  
Electric Division

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Default Service and Retail :  
Electric Markets : Docket No. M-00072009

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**COMMENTS OF  
UGI UTILITIES, INC. –  
ELECTRIC DIVISION**

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UGI Utilities, Inc. – Electric Division (“UGI”) appreciates this opportunity to submit comments in response to the Commission’s Proposed Policy Statement entered on February 9, 2007. UGI applauds the Commission’s decision to address certain default service matters by policy statement, thereby providing more flexibility to the Commission to respond to changes in markets, circumstances and other factors in administering its default service policies. UGI has also submitted comments in response to the Commission’s Advance Notice of Final Rulemaking Order at Docket No. L-00040169, and requests that the Commission also consider those comments in formulating its default service policies.

**COMMENTS**

- I. THE COMMISSION SHOULD PERMIT A PORTFOLIO APPROACH TO ACQUIRING POWER FOR DEFAULT SERVICE LOADS, AND SHOULD SPECIFY COMPETITIVE BID SOLICITATIONS RULES THAT ARE FLEXIBLE AND NOT NECESSARILY BASED ON A LOAD FOLLOWING SERVICE AUCTION MODEL.**

UGI appreciates the Commission, based on the limited experience it has had to date, has decided that a once-and-done auction model requesting bids for a load following service may not be the best model for procuring default service supplies. In general, however, UGI believes that the procurement rules specified in the proposed policy statement are overly restrictive, and only

address the problems associated with the once-and-done auction model by, in effect, specifying multiple auctions having many of the characteristics of the once-and-done auction model.

The provisions of §69.1807(c), for example, would limit competitive bid solicitations to tranches of load within each customer class, suggesting that all competitive bids would have to be for load-following service. UGI believes the Commission should reserve judgment as to how DSP should best handle variations in customer loads, and should not mandate load-following services as the only permissible solution.

**II. THE PROPOSED DEFAULT SERVICE COST ELEMENTS INCLUDE COSTS THAT ARE NOT APPROPRIATELY ASSIGNED TO DEFAULT SERVICE.**

The provisions of §69.1808(a) define categories of costs as default service costs that are or may be unrelated to the provision of such service. For example, UGI owns or owns and operates segments of the transmission system that would not necessarily be used to procure and deliver generation service to the UGI system. Nonetheless, the proposed policy statement suggests that all transmission costs should be assigned to default service rates.

Also, the provisions of §69.1808(b) suggest the Commission will initiate a cost allocation case for EDCs that do not file a distribution base rate case by December 31, 2007, and that “[c]hanges to rates resulting from such examination would take effect after the expiration of the Commission approved rate caps.” To the extent the Commission decides to retain this concept, it should clarify that the results of any cost allocation proceeding should not apply until after the expiration of the transition period for those EDC’s that are still recovering competitive transition costs or intangible transition costs, or until the expiration of any Commission-approved default service settlements or orders in the case of EDCs, such as UGI, that have already completed the transition period. Further, any cost allocation investigation should be deferred until each EDC files their default service program at least 15 months prior to the expiration of

their rate caps, or in the case of EDCs that have already completed their transition process, at least 15 months prior to the expiration of their default service rates established pursuant to a Commission-approved default service settlement or order.

**III. THE COSTS OF ADOPTING UNIFORM ACCESS TO RETAIL CUSTOMER DATA AND OF ADOPTING UNIFORM SUPPLIER TARIFFS MUST BE CONSIDERED BEFORE CONCLUDING THE ADOPTION OF THESE MEASURES IS IN THE PUBLIC INTEREST.**

While §69.1812 declares that it is in the public interest to adopt common standards and practices for accessing retail electric customer information and data, and §69.1816 declares it is in the public interest to adopt uniform supplier tariffs, there is not sufficient information at the present time to support these conclusions.

While UGI is able to provide retail customer information permitted to be disclosed under the Commission's regulations through a simple EDI transaction, UGI has no idea how such information is accessed on the systems of other EDCs or if the costs involved to unify information disclosure systems would be cost-justified.

It is even less clear that a uniform supplier tariff could be developed that would reflect the circumstances and Commission-approved settlement terms applicable to each EDC system in the Commonwealth, or what the costs of such an effort might entail.

**IV. THERE IS NO EVIDENCE OF A NEED FOR A RETAIL OMBUDSMAN.**

Multiple complaint mechanisms already exist in Pennsylvania to handle any EGS issues or complaints, and there is no evidence of any significant unresolved complaints between EGSs and EDCs that are affecting the availability of retail competition. Absent a showing of unresolved disputes or the unavailability of EDC personnel to answer prospective EGS questions, there is no

need to create another layer of dispute resolution mechanisms.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mark C. Morrow", with a long horizontal flourish extending to the right.

Mark C. Morrow

Counsel for UGI Utilities, Inc. –  
Electric Division

Dated: March 2, 2007