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|  | COMMONWEALTH OF PENNSYLVANIAPENNSYLVANIA PUBLIC UTILITY COMMISSIONP.O. BOX 3265, HARRISBURG, PA 17105-3265 | **IN REPLY PLEASE REFER TO OUR FILE****L-2008-2069114** |

**May 25, 2012**

TO ALL INTERESTED PARTIES:

**RE: Natural Gas Distribution Companies and Promotion of Competitive Retail Markets,**

 **Docket Number L-2008-2069114**

By order entered June 23, 2011, the Commission issued a Final Revised Rulemaking Order (*Final Revised Rulemaking Order*) on specific issues intended to promote effective competition for natural gas supply service pursuant to Chapter 22 of the Public Utility Code (Code). In particular, the Commission reformulated the price to compare (PTC), adopted permanent rules for voluntary purchase of receivables (POR) programs, and adopted rules for the non-discriminatory release, assignment and transfer of capacity when customers choose a competitive natural gas supplier. On Saturday, April 14, 2012, the *Final Revised Rulemaking Order* was published in the *Pennsylvania Bulletin* at 42 *Pa.B*. 2159 and became effective upon publication.

In the *Final Revised Rulemaking Order*, the Commission established the PTC so that consumers can compare the price offered by competitive Natural Gas Supplier (NGS) firms to the rates for default supply service charged by incumbent Natural Gas Distribution Companies (NGDCs). The PTC is the mechanism within the final regulations that allows for the removal of natural gas procurement costs now included in NGDC delivery rates. We believe that the inclusion of gas procurement costs in delivery rates understates and masks the full cost of the commodity.

We stated that the identification of these procurement related costs and their magnitude are best determined in the context of a rate filing under 1308(a), not in a Section 1307(f) proceeding. Accordingly, we directed NGDCs to identify and remove, from delivery rates, their natural gas procurement costs in a Section 1308(a) proposed tariff filing; once those costs are determined, and after notice and opportunity to be heard, those procurement costs will be included, synchronized and recovered as part of the PTC or commodity rate on a per MCF or DTH revenue neutral basis. These Section 1308(a) tariff filings are to be filed beginning ninety (90) days after the regulations’ effective date pursuant to a schedule to be established by the Commission, or in the NGDC's next base rate case, whichever occurs first.

In accordance with Ordering Paragraph No. 7 of the *Revised Final Rulemaking Order*, the Commission has established the following staggered schedule for NGDCs to file their respective 1308(a) tariff filings to comply with the above-referenced new regulations based on the effective date of April 14, 2012:

1. Group One Filing Date of July 13, 2012— UGI Utilities Inc. and Peoples Natural Gas Company d/b/a Dominion Peoples (Dominion Peoples) (via rate case filing);
2. Group Two Filing Date of September 30, 2012— Peoples TWP LLC, Columbia Gas of Pennsylvania and PECO Energy Company;
3. Group Three Filing Date of November 12, 2012—National Fuel Gas Distribution Company, Equitable Gas Company, Philadelphia Gas Works and Valley Energy, Inc.

To avoid the prospect of single-issue ratemaking in which the utility seeks increased rates for a single element of increased expenses without examination of other expenses that may have decreased, **only** specific natural gas procurement costs will be identified and shifted from delivery rates to commodity rates on a revenue neutral basis in these proceedings. Also, because these costs are being moved from base rates to the NGDC's PTC or commodity rate, they shall not be subject to reconciliation. As such, the *initial* gas procurement costs established in these proceedings and to be recovered in the PTC, on a per MCF or DTH basis, shall remain constant until reviewed and updated, after notice and opportunity to be heard, in the NGDC's next base rate case in order to ensure that the NDGC's rate continues to reflect and recover its gas procurement costs.

NDGCs are required to serve a copy of the 1308(a) tariff filing on the Office of Consumer Advocate, the Office of Small Business Advocate and the Bureau of Investigation and Enforcement. Other interested parties are invited to file interventions in order to participate in these proceedings.

Very truly yours,

Rosemary Chiavetta

Secretary

cc: All Parties at Docket Number L-2008-2069114