

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Uniform Cover and Calendar Sheet

1. <u>REPORT DATE:</u> February 1, 2000	2. <u>BUREAU AGENDA NO.:</u> FEB-2000-FUS-1001*
3. <u>BUREAU:</u> Fixed Utility Services	
4. <u>SECTION(S):</u> Energy	5. <u>PUBLIC MEETING DATE:</u>
6. <u>APPROVED BY:</u> Director: Rosenthal 3-5242 <i>BW</i> Supervisor: Bennett 7-5553 <i>ABZ</i> Legal Review by: <i>Michael A. Bennett 1-314</i>	February 10, 2000
7. <u>PERSONS IN CHARGE:</u> Sivulich/Rodrock 7-5865	
8. <u>DOCKET NO.:</u> A-125055	<div style="text-align: right; border: 1px solid black; padding: 5px; display: inline-block;"> DOCKETED FEB 17 2000 </div>

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 Sprague Energy Corp.
 (Home Office: Portsmouth, NH)

(b) On November 19, 1999, Sprague Energy Corp. filed an application to offer, render, furnish, or supply natural gas supply services to commercial and industrial customers in Columbia Gas of Pennsylvania, Inc., The Peoples Natural Gas Company, PG Energy, Inc., Equitable Gas Company, National Fuel Gas Distribution Corp., UGI Utilities, Inc., PECO Energy, Co., PFG Gas, Inc., Carnegie Natural Gas Co., T.W. Phillips Gas & Oil Company, and NUI Valley Cities Gas service territories within the Commonwealth of Pennsylvania, as a broker/marketer and aggregator of 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 conditionally approves the License Application.

Order Doc # 170232

Calendar Doc. # 170234

10. MOTION BY: Commissioner Chm. Quain

Commissioner Brownell - Yes

SECONDED: Commissioner Bloom

Commissioner Wilson - Yes

Commissioner Fitzpatrick - Yes

CONTENT OF MOTION: Staff recommendation adopted.

SRB



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

IN REPLY PLEASE
REFER TO OUR FILE

FEBRUARY 10, 2000

A-125055

THOMAS F WITHKA VICE PRESIDENT
NATURAL GAS MARKETING
TWO INTERNATIONAL DRIVE SUITE 200
PORTSMOUTH NH 03801

DOCUMENT
FOLDER

Application of Sprague Energy Corp. to become a
Licensed supplier of natural gas services

To Whom It May Concern:

This is to advise you that the Commission in Public Meeting on February 10, 2000 has adopted an Order in the above-entitled proceeding.

An Order has been enclosed for your records.

Very truly yours,

James J. McNulty
Secretary

Enclosure
Certified Mail
FG

DOCKETED
FEB 15 2000

PENNSYLVANIA
PUBLIC UTILITY COMMISSION

IN THE MATTER OF THE APPLICATION OF: A-125055

Application of Sprague Energy Corp., for the right to begin to offer, render, furnish or supply natural gas supply services to the public, within the service territories of Columbia Gas of Pennsylvania, Inc., The Peoples Natural Gas Company, PG Energy, Inc., Equitable Gas Company, National Fuel Gas Distribution Corporation, UGI Utilities, Inc., PECO Energy Company, PFG Gas, Inc., Carnegie Natural Gas Company, T.W. Phillips Gas & Oil Company, and NUl Valley Cities Gas, within the Commonwealth of Pennsylvania.

The Pennsylvania Public Utility Commission hereby certifies that after an investigation and/or hearing, it has, by its report and order made and entered, found and determined that the granting of the application is necessary or proper for the service, accommodation, convenience and safety of the public and hereby issues, evidencing the Commission's approval, to the applicant this:

LICENSE FOR NATURAL GAS SUPPLIER.

In Witness Whereof, The PENNSYLVANIA PUBLIC UTILITY COMMISSION has caused these presents to be signed and sealed, and duly attested by its Secretary at its office in the city of Harrisburg this 10th day of February, 2000.

James G. McNeill

Secretary

DOCUMENT
FOLDER

DOCKETED

FEB 15 2000

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17105-3265

Public Meeting held February 10, 2000

Commissioners Present:

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

Application of Sprague Energy Corp. to
become a licensed supplier of natural
gas services

Docket Number: A-125055

ORDER

**DOCUMENT
FOLDER**
On November 19, 1999, Sprague Energy Corp. filed a License
Application to operate as a broker/marketer and aggregator 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 at M-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.

§ 2208

DOCKETED

FEB 15 2000

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.

Sprague Energy Corp. has stated that upon the approval of this Application, it proposes to provide natural gas supply services to commercial and industrial customers of Columbia Gas of Pennsylvania, Inc. at R-00994781; The

Peoples Natural Gas Company at R-00994782; PG Energy, Inc. at R-00994783; Equitable Gas Company at R-00994784; National Fuel Gas Distribution Corporation at R-00994785; UGI Utilities, Inc. at R-00994786; PECO Energy Company at R-00994787; PFG Gas, Inc. at R-00994788; Carnegie Natural Gas Company at R-00994789; T.W. Phillips Gas & Oil Company at R-00994790; and NUI Valley Cities Gas at R-00994946.

Sprague Energy Corp. 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. at R-00994781; The Peoples Natural Gas Company at R-00994782, PG Energy, Inc. at R-00994783, Equitable Gas Company at R-00994784, National Fuel Gas Distribution Corporation at R-00994785; UGI Utilities, Inc. at R-00994786; PECO Energy Company at R-00994787, PFG Gas, Inc. at R-00994788; Carnegie Natural Gas Company at R-00994789; T.W. Phillips Gas & Oil Company at R-00994790; and NUI Valley Cities Gas at R-00994946.

Regarding the financial and technical fitness requirements of the license application, Sprague Energy Corp. has submitted the 1998 Annual Report of Axel Johnson Inc. and a summary of a Dun & Bradstreet Report. Sprague Energy Corp. is a wholly owned subsidiary of Axel Johnson Inc. Axel Johnson Inc. is a diversified manufacturing and service organization operating in three areas of business: the environment, telecommunications and energy. Based in Stamford, Connecticut, the company has 1,600 employees at 65 locations and a customer base that is, increasingly, global in scope.

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 ensure 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 and the amount of bond or other financial security "shall be determined by criteria approved by the Commission." However, the restructuring proceedings will not be completed until after the November 1, 1999 start date for natural gas competition. While the bonding requirement cannot be waived, the Commission believes that it is in the public interest to defer this requirement until such time as Commission criteria on bonding is established so as not to delay or diminish customer choice in natural gas supply.

Accordingly, the Commission will issue a license to Sprague Energy Corp. and direct that within 30 days of the completion of the restructuring proceedings of Columbia Gas of Pennsylvania, Inc. at R-00994781; The Peoples Natural Gas Company at R-00994782; PG Energy, Inc. at R-00994783; Equitable Gas Company at R-00994784; National Fuel Gas Distribution Corporation at R-00994785; UGI Utilities, Inc. at R-00994786; PECO Energy Company at R-00994787; PFG Gas, Inc. at R-00994788; Carnegie Natural Gas Company at R-00994789; T.W. Phillips Gas & Oil Company at R-00994790; and NUI Valley Cities Gas at R-00994946, that Sprague Energy Corp. shall submit documentation to the Commission to evidence its compliance with the Section 2208(c) bonding requirement for each of the above mentioned natural gas distribution companies in which Sprague Energy Corp. has applied to provide natural gas supply services. Upon receipt of such documentation, a Secretarial letter will be issued advising that Sprague Energy Corp. is in compliance with the bonding requirement.

