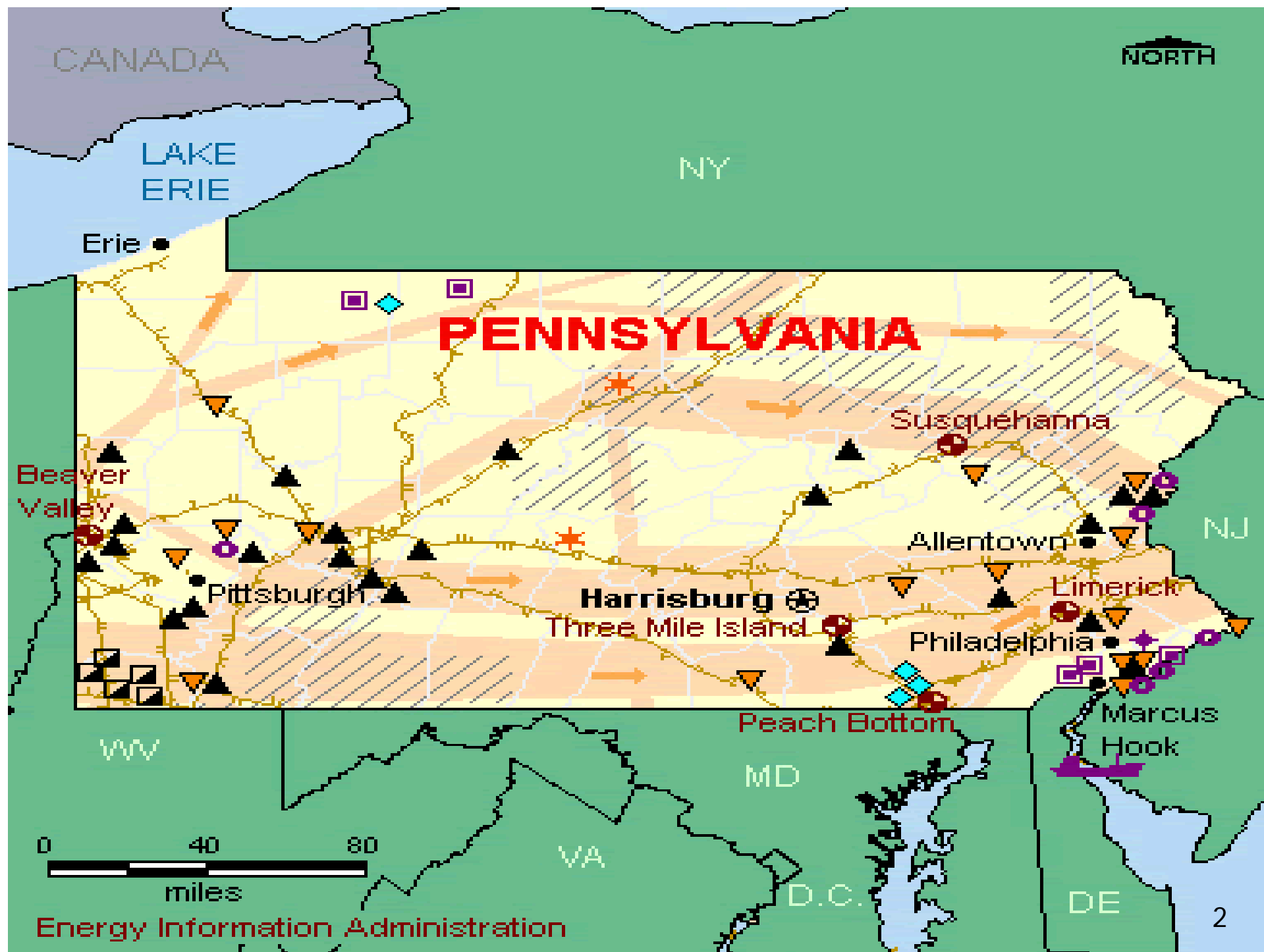




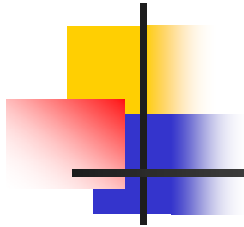
# Natural Gas Distribution System in Pennsylvania

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- Paul Metro – Pennsylvania Public Utility Commission



# Pennsylvania Quick Facts



- Pennsylvania is a major coal-producing State and sells about one-half of its coal output to other States throughout the East Coast and Midwest.
- Three of Pennsylvania's four top electric generating plants run on nuclear power and the State ranks second in the Nation in nuclear power generating capacity.
- Pennsylvania is the leading petroleum-refining State in the Northeast.
- The Drake Well in Titusville, Pennsylvania was the world's first commercial oil well and western Pennsylvania was the site of the world's first oil boom.



# Public Utilities Regulation

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<http://www.legis.state.pa.us>

Chapter 66 PA C.S.A – Consolidated  
Statutes Annotated



# Regulations

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- **SUBCHAPTER A GENERAL PROVISIONS**
- **Sec. 1101.** Organization of public utilities and beginning of service.
- 1102. Enumeration of acts requiring certificate.
- 1103. Procedure to obtain certificates of public convenience.
- 1104. Certain appropriations by right of eminent domain prohibited.
- **Subchapter Heading.** The heading of Subchapter A was added April 2, 2002, P.L.218, No.23, effective immediately.
- **§ 1101. Organization of public utilities and beginning of service.**
- Upon the application of any proposed public utility and the approval of such application by the commission evidenced by its certificate of public convenience first had and obtained, it shall be lawful for any such proposed public utility to begin to offer, render, furnish, or supply service within this Commonwealth. The commission's certificate of public convenience granted under the authority of this section shall include a description of the nature of the service and of the territory in which it may be offered, rendered, furnished or supplied.



# Regulations

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- **§ 1103. Procedure to obtain certificates of public convenience. (a) General rule.**--Every application for a certificate of public convenience shall be made to the commission in writing, be verified by oath or affirmation, and be in such form, and contain such information, as the commission may require by its regulations. A certificate of public convenience shall be granted by order of the commission, only if the commission shall find or determine that the granting of such certificate is necessary or proper for the service, accommodation, convenience, or safety of the public. The commission, in granting such certificate, may impose such conditions as it may deem to be just and reasonable. In every case, the commission shall make a finding or determination in writing, stating whether or not its approval is granted. Any holder of a certificate of public convenience, exercising the authority conferred by such certificate, shall be deemed to have waived any and all objections to the terms and conditions of such certificate.



# Regulations

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- **(b) Investigations and hearings.**--For the purpose of enabling the commission to make such finding or determination, it shall hold such hearings, which shall be public, and, before or after hearing, it may make such inquiries, physical examinations, valuations, and investigations, and may require such plans, specifications, and estimates of cost, as it may deem necessary or proper in enabling it to reach a finding or determination.



# Regulations

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- **§ 1301. Rates to be just and reasonable.** Every rate made, demanded, or received by any public utility, or by any two or more public utilities jointly, shall be just and reasonable, and in conformity with regulations or orders of the commission. Only public utility service being furnished or rendered by a municipal corporation, or by the operating agencies of any municipal corporation, beyond its corporate limits, shall be subject to regulation and control by the commission as to rates, with the same force, and in like manner, as if such service were rendered by a public utility.





# Regulation - Statute

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- **§ 1302. Tariffs; filing and inspection.** Under such regulations as the commission may prescribe, every public utility shall file with the commission, within such time and in such form as the commission may designate, tariffs showing all rates established by it and collected or enforced, or to be collected or enforced, within the jurisdiction of the commission. The tariffs of any public utility also subject to the jurisdiction of a Federal regulatory body shall correspond, so far as practicable, to the form of those prescribed by such Federal regulatory body. Every public utility shall keep copies of such tariffs open to public inspection under such rules and regulations as the commission may prescribe. One copy of any rate filing shall be made available, at a convenient location and for a reasonable length of time within each of the utilities' service areas, for inspection and study by customers, upon request to the utility.



# Regulations

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- **"Natural gas distribution service."** The delivery of natural gas to retail gas customers utilizing the jurisdictional facilities of a natural gas distribution utility.
- **"Natural gas distribution utility."** A city natural gas distribution operation or entity that provides natural gas distribution services and may provide natural gas supply services and other services. The term does not include either of the following: (1) Any public utility providing natural gas distribution services subject to the jurisdiction of the Pennsylvania Public Utility Commission that has annual gas operating revenues of less than \$6,000,000 per year, except where the public utility voluntarily petitions the commission to be included within this definition or where the public utility seeks to provide natural gas supply services to retail gas customers outside its service territory. (2) Any public utility providing natural gas distribution services subject to the jurisdiction of the commission that is not connected to an interstate gas pipeline by means of a direct connection or an indirect connection through the distribution system of another natural gas public utility or through a natural gas gathering system.



# Regulations

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- **"Natural gas supply services."** The sale or arrangement of the sale of natural gas to retail gas customers and services that may be unbundled by the Pennsylvania Public Utility Commission under section 2203(3) (relating to standards for restructuring of natural gas utility industry). The term does not include natural gas distribution service.



# Regulations

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- **§ 1510. Ownership and maintenance of natural and artificial gas service lines.** When connecting the premises of the customer with the gas utility distribution mains, the public utility shall furnish, install and maintain the service line or connection according to the rules and regulations of the filed tariff. A public utility shall not be authorized or required to acquire or assume ownership of any customer's service line. A public utility shall not be authorized or required to acquire or assume ownership of any pipe or appurtenances installed after the effective date of this section between its main and the meter unless the utility would have been authorized or required to do so according to the rules and regulations of its filed tariff if the pipe or appurtenances had been installed on or before the effective date of this section. Maintenance of service lines shall be the responsibility of the owner of the service line. (Mar. 7, 1984, P.L.104, No.22, eff. 60 days)



# Regulations - Statute

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- **§ 2205. Duties of natural gas distribution companies.**
  - (a) Integrity of distribution system.--** (1) Each natural gas distribution company shall maintain the integrity of its distribution system at least in conformity with the standards established by the Federal Department of Transportation and such other standards practiced by the industry in a manner sufficient to provide safe and reliable service to all retail gas customers connected to its system consistent with this title and the commission's orders or regulations.



# Regulations - Statute

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- (2) In performing such duties, the natural gas distribution company shall implement procedures to require all natural gas suppliers to supply natural gas to the natural gas distribution company at locations, volumes, qualities and pressures that are adequate to meet the natural gas supplier's supply and reliability obligations to its retail gas customers and the natural gas distribution company's supply and reliability obligations to its retail gas customers. The procedures shall include, but not be limited to: (i) A communication protocol with natural gas suppliers. (ii) An ability to issue system maintenance orders to control the flow of gas into the distribution system. (iii) The right to issue and enforce penalties pursuant to commission direction, provided, however, that the commission may approve additional procedures of like nature by order or regulation to preserve reliability.



# Regulations Statute

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- **(b) Installation and improvement of facilities.--** (1) The natural gas distribution company shall not have an obligation to install nonstandard facilities, either as to type or location, for the purpose of receiving natural gas from the natural gas supplier unless the natural gas supplier or its retail gas customer pays the full cost of these facilities. (2) Nothing in this chapter shall prevent the natural gas distribution company from maintaining and upgrading its system to meet retail gas customer requirements consistent with the requirement of section 1501 (relating to character of service and facilities) or compliance with other statutory and regulatory requirements.



# Regulations – Pa Code

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- **§ 59.27. Extension of facilities.**
- Each public utility shall file with the Commission, as part of its tariff, a rule setting forth the conditions under which facilities will be extended to supply service to an applicant within all, or designated portions, of its service area. The utility may, upon proper cause shown, refuse or condition the acceptance of a particular application of extension of facilities.



# Extension of Mains

## Tariff – Equitable Gas

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### 1.2 Applications For Service Extension of Mains

The Company will extend its facilities to a new point of delivery within its service territory if, in its judgment and consistent with Pennsylvania Public Utility Commission regulations, the service to such a new point of delivery will have no adverse effect upon the availability of gas to meet the present and reasonably foreseeable volume and pressure needs of existing ratepayers and the request is not for special utility service. "Special utility service" shall include (a) a request for utility service when the applicant has an installed alternative fuel capability; (b) a request for utility service when the applicant is already receiving natural gas service from another Pennsylvania public utility;

# Extension of Mains Equitable Tariff



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(c) a request for utility service from an applicant located in an area in which another natural gas utility is authorized to serve the applicant; (d) a request for utility service by a builder or developer of a residential lot plan who is requesting an extension of the Company's facilities in anticipation of future homeowners' need for natural gas supplies; (e) any request for service by an applicant who, in the Company's view, is unlikely to remain on the Company's system for a sufficient period of time to justify the extension.



# Extension of Mains Equitable Gas Tariff

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In the case of requests for a "special utility service," the Company may condition the extension of facilities upon the applicant's providing a contribution in aid of construction (CIAC), the amount which will be determined by the Company. Even if an applicant's request is not for a "special utility service," the Company may request a CIAC to the extent that the applicant's projected contributions to the Company's costs over the three years immediately following the completion of the extension do not cover the full cost of the extension; provided that the full cost of the extension shall not include the cost of the meter or company (main to curb) service line which shall be borne by the Company.




# Extension of Mains Equitable Gas Tariff

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If the Company requests a CIAC from an applicant whose request is not for "special utility service," and additional volumes are added to the extended facilities financed by the applicant's CIAC within three years of the date of completion of the facilities, the applicant who paid the CIAC will be entitled to a pro rated refund during the three-year period immediately following completion of the extension.

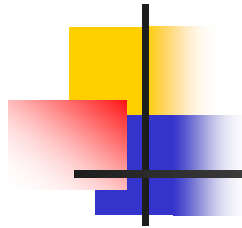
## Retail Unbundling – Pennsylvania



**Status:** The State has implemented comprehensive unbundling for its residential gas customers.

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- **Overview:** Competition for gas supply has been allowed in Pennsylvania since enactment of the Natural Gas Choice and Competition Act in 1999. However, as of January 1, 2007, according to the Pennsylvania Office of Consumer Advocate, only 7 percent of the State's residential customers purchase natural gas from alternative suppliers, about the same as in December 2004 but down substantially from the 10 percent in December 2001. Furthermore, the State Public Utility Commission (PUC) has determined that effective competition in the retail natural gas supply market does not exist on a statewide basis at this time. In its report to the General Assembly in October 2005, which was mandated after 5 years of deregulation, the PUC concluded that the number of suppliers and buyers in choice programs across the State was insufficient for effective competition and that the marketplace “lacks accurate and timely price signals.” The report noted that suppliers felt that substantial barriers to market entry exist because of the local distribution companies’ (LDCs) differing and high security requirements, excessive and varying penalties for non-delivery, differing nomination and delivery requirements, and misleading price comparisons.



## Retail Unbundling – Pennsylvania

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Because of the report's findings, the PUC reconvened stakeholders to consider what actions should be taken to encourage competition on a statewide level, such as changes to market structure and operation and to regulatory and legislative guidelines (incentives).

A PUC-led task force, known as SEARCH (Stakeholders Exploring Avenues for Removing Competition Hurdles), was formed that includes representatives from LDCs, marketers, and residential, commercial, and industrial consumers. The group is examining issues related to mandatory capacity assignments, purchase of receivables, consumer education, consumer protection rules, and costs of retail supply services and also considering possible incentives that might result in LDCs exiting the merchant function. The task force plans to submit its recommendations to the PUC by March 2007.



## Retail Unbundling – Pennsylvania

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- Customers in five LDCs' service areas (Columbia Gas of Pennsylvania, Inc., Dominion Peoples, Equitable Gas Company, PECO Gas Corporation, and UGI Gas Utilities, Inc.) are choosing to buy gas from marketers at this time. The first three of these LDCs had conducted extensive pilot choice programs prior to the legislation. At a hearing in September 2004, the consumer advocate noted that nearly all the switching to third-party suppliers has occurred in areas that had extensive pilot programs in place before the choice legislation was enacted. During these pilot programs, customers who switched to marketers were exempted from paying a 5 percent gross receipts tax. However, this advantage was eliminated with passage of the choice legislation, which abolished the tax as of January 1, 2000. The consumer advocate also noted that participation in choice programs may be hindered by the difficulty in tracking the "price to compare" since it changes quarterly and the sometimes long period (up to 48 days or more) it can take for a switch to occur.

All marketers must be licensed by the PUC in order to provide natural gas service in Pennsylvania. As of December 2006, 28 marketers were licensed to serve residential customers in the State, but only 4 companies were enrolling new customers.



## Retail Unbundling – Pennsylvania

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- **EIA State Data:** In 2005, Pennsylvania had 2,600,574 residential and 233,132 commercial customers who consumed 245 and 145 billion cubic feet of natural gas, respectively. The average prices paid for natural gas purchased from local distribution companies and marketers by residential and commercial customers were \$14.21 and \$13.04 per thousand cubic feet, respectively.
- **Eligibility and Participation in Retail Choice Programs:** Retail unbundling in Pennsylvania began in November 1996 with the implementation of pilot programs by Columbia Gas of Pennsylvania (August 1996) and Equitable Gas Company (September 1996). Approximately 25,000 residential and small commercial customers were eligible to participate in these early programs. In 1997, three additional LDCs initiated customer choice programs (PG Energy, Inc., National Fuel Gas Distribution Corp., and People's Natural Gas Company, now doing business as Dominion Peoples). As of December 2006, about 1.6 million residential customers have access to competitive suppliers and about 179,000 have enrolled in choice programs, compared with 165,000 in December 2005 and 181,000 in December 2004.





# References

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- Energy Information Administration – U.S. Department of Energy
- Pennsylvania Code and Statute