The Energy and Technology Committee
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Raised Senate Bill No. 504: *AAC Natural Gas Customer Choice*

Testimony of Dominion Retail, Inc.

My name is William Barkas and I am Manager of State Government Relations for Dominion Retail, Inc. Dominion Retail is a natural gas supplier in Pennsylvania, Ohio, New York, and Illinois where we serve over 600,000 mostly residential and small commercial customers on nine separate natural gas utility systems. We have been active in the deregulated natural gas choice markets in Pennsylvania and Ohio since 1997. We are also a licensed competitive electric supplier in seven states, including Connecticut. We currently serve about 300,000 electric customers, including more than 60,000 in Connecticut with our partner, LEVCO.

Dominion Retail is a registered natural gas supplier in the State of Connecticut. We obtained our registration from the Department of Public Utility Control (DPUC) in 2003. Although Dominion Retail's registration status is "active," the company has to date not marketed or sold natural gas to any class of Connecticut consumer. Since receiving our registration, we have closely monitored the natural gas choice marketplace in Connecticut with the goal of offering service to residential customers in the state once this market segment has deregulated.

Dominion Retail strongly endorses the changes envisioned by Senate Bill No. 504. Since 1996, commercial and industrial gas consumers in Connecticut have benefited significantly from natural gas choice. Much of this load has switched to competitive suppliers. It is time to bring the benefits of competition to the residential market in the state.

Dominion Retail would like to underscore several of the proposed elements of the legislation that we find especially important. The ability of all natural gas sellers to have unlimited non-discriminatory access to firm transportation and storage rights held by the gas company is essential to a successful choice program. The assignment of a pro rata share of each gas company's maximum daily quantity of pipeline capacity - - including storage, peaking, and balancing assets - - will ensure that customers' supply requirements can be met effectively and securely. Section 3 (c) states that "No gas company shall present any unnecessary barriers that prevent or reduce ready access to natural gas supply service for all customer classes. …" This prohibition should include, but not be limited to, such barriers as utility switching fees, minimum contract terms, and minimum stay provisions that would hinder consumers' from exercising their choices.

Furthermore, Sec. 3 (f) and (g) would provide for the development of rational rules for operational balancing and imbalance trading. A key feature would be the elimination of punitive, non-market based penalties for balancing and deliveries that are out of tolerance. The current nature of the existing, severe penalties imposed by the utilities has been a barrier to suppliers entering the market, not an incentive to perform effectively. Current penalty provisions have allowed the gas companies to collect monetary fines when no harm was caused to their systems effectively creating a barrier to entry to this market.

Sec. 4 (a) and (b) would provide assurances of security to customers by allowing the gas companies to recall the seller's assigned capacity if the seller fails to meet its responsibilities. Similarly, the DPUC would establish credit policies for sellers and rules related to capacity assignment, transfer, or release. These provisions appear reasonable and fair.

Under Sec. 5 (a) the gas companies would be required to fully unbundle their rate schedules "such that all discrete services provided by the gas company are separately identified and charged in such gas company's tariffs." The proper and accurate allocation of gas company costs will allow consumers an honest portrayal of the costs they are incurring for particular services and allow a fair comparison with those of retail gas suppliers. This reallocation of costs will eliminate the duplication of costs that consumers would bear if they switched to non-utility gas suppliers, such as uncollectible, bad debt expenses. Paragraph (b) requires the gas companies to adopt utility consolidated billing and to purchase the receivables of the gas sellers. The two provisions are quite common in successful gas choice programs (like Ohio and New York), allowing consumers the convenience of receiving one bill for gas and distribution services, and allowing the less creditworthy segment of customers the opportunity to participate in a choice program. Without a purchase of receivables program, the very segment of the population that would benefit the most from energy savings would be denied the opportunity and the utilities would continue to serve them, anyway.

Sec. 5 (c) and Sec. 6 concern gas sellers' communications with the gas companies and with customers. The first section would require the gas companies to provide the sellers with timely and accurate customer information so the sellers could contact consumers with their offers. Additionally, this information would ensure that interested customers would be enrolled in a timely and accurate manner. Dominion Retail has found through its experience that such pre-enrollment information can increase enrollment by 15 percent and reduce consumer complaints. Such information can be provided in such a way that protects consumer privacy and avoids the possibility of incorrect enrollments. Pennsylvania adopted a similar provision several years ago without negative repercussions and, indeed, has facilitated consumer choice. Section 6 ensures that consumers will have a multitude of methods to enroll in customer choice, if they so choose. These methods are consistent with the manner of consent adopted by many industries and businesses in our society today.

Dominion Retail strongly endorses Senate Bill 504 as a proper vehicle to provide customer natural gas choice to Residential customers. This legislation would clearly open up this market segment to competitive forces to the benefit of consumers while safeguarding their need for reliable gas supply and protecting consumer rights.