

May 15, 2008

Natural Gas Competition Stakeholders
(see attached list)

Dear Natural Gas Competition Stakeholders:

This is in response to your letter of May 8, 2008 directed to Chairman Holland, Vice Chairman Cawley, Commissioner Christy and Commissioner Pizzigrilli inquiring about the status of the Commission's stakeholder process, which is examining ways to promote the development of effective competition in the natural gas supply market in Pennsylvania. As you note, the Commission initiated this stakeholder process, known as Stakeholders Examining Avenues for Removing Competition Hurdles (SEARCH), in response to Section 2204(g) of the Natural Gas Choice and Competition Act, 66 Pa.C.S. §2204(g). Under Section 2204(g), the Commission completed an investigation concluding that effective competition does not exist and was therefore required to "reconvene the stakeholders in the natural gas industry in this Commonwealth to explore avenues, including legislative, for encouraging increased competition in this Commonwealth."

As you know, Commission staff led the SEARCH initiative, which has produced a comprehensive working group report that identifies twenty-five measures for consideration by the Commission. For each measure, the report describes the possible barrier to the development of competition, summarizes the positions of the participants, explains the requisites for implementation (such as tariff filings, Commission orders or statutory amendments), provides an assessment of the potential impact on competition, and outlines disadvantages and costs of such measures.

The wide diversity of competing views and the wealth of experience represented within SEARCH facilitated the compilation of a very thorough report containing numerous possible action steps for the Commission and the General Assembly to take in promoting the development of a competitive natural gas supply market in Pennsylvania. Those perspectives and experiences, while invaluable, also made it difficult to achieve consensus on any significant issues. As a result, the Commission must decide which, if any, measures to implement, how to implement them and the best timeframe for doing so. These are decisions that the Commission will need to consider carefully and thoroughly. While we are hopeful that the Commission will be in a position to take action on the SEARCH report in June, it may be more realistic to expect that action later this summer. With the energy debate that is ongoing in the General Assembly, it is quite possible that those outcomes will have an effect on how the Commission wishes to proceed on the SEARCH issues.

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We sincerely appreciate your interest and assistance to Commission staff during the SEARCH stakeholder process, and we look forward to your continued participation either through the filing of comments or in future working group or subcommittee efforts.

Sincerely,

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Director of Operations

cc: Chairman Wendell F. Holland
Vice Chairman James H. Cawley
Commissioner Tyrone J. Christy
Commissioner Kim Pizzingrilli

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