

# STATEMENTS OF POLICY

## Title 4—ADMINISTRATION

### PART II. EXECUTIVE BOARD

#### [4 PA. CODE CH. 9]

#### Reorganization of the Department of General Services

The Executive Board approved a reorganization of the Department of General Services effective April 25, 2000.

The organization chart at 30 Pa.B. 3082 (June 17, 2000) is published at the request of the Joint Committee on Documents under 1 Pa. Code § 3.1(a)(9) (relating to contents of Code).

*(Editor's Note: The Joint Committee on Documents has found organization charts to be general and permanent in nature. This document meets the criteria of 45 Pa.C.S. § 702(7) as a document general and permanent in nature which shall be codified in the Pennsylvania Code.)*

[Pa.B. Doc. No. 00-1045. Filed for public inspection June 16, 2000, 9:00 a.m.]

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## PENNSYLVANIA PUBLIC UTILITY COMMISSION

### Notice of Proposed Statement of Policy on Performance Based Incentives for Section 1307(f) Local Distribution Companies; Doc. No. M-00940604

*Commissioners Present:* John M. Quain, Chairperson;  
Robert K. Bloom, Vice-Chairperson; Nora Mead  
Brownell; Aaron Wilson, Jr.; Terrance J. Fitzpatrick

Public Meeting held  
June 2, 2000

#### Order

*By the Commission:*

On December 15, 1994, we issued an advance notice of proposed statement of policy concerning the guidelines for proposing performance based incentives (PBIs) for local distribution companies (LDCs) in section 1307(f) proceedings. The goal of PBI programs was to reduce natural gas costs through genuine improvements in performance and efficiency, allowing both shareholders and ratepayers to share in these benefits.

Comments on the advance notice of proposed policy statement were filed by the Office of Trial Staff (OTS), the Office of Consumer Advocate (OCA), the Industrial Energy Consumers of Pennsylvania (IECPA), the Independent Oil and Gas Association of Pennsylvania (IOGA), T. W. Phillips Gas and Oil Company (Phillips), Enron

Capital & Trade Resources (ECT), UGI Utilities, Inc.—Gas Division (UGI), Columbia Gas of Pennsylvania (Columbia) and the Pennsylvania Gas Association (PGA). After a review of the comments, we adopted a proposed policy statement setting forth the guidelines to be followed by section 1307(f) gas utilities in proposing PBI programs in rate proceedings filed under section 1307(f) or section 1308(a)—(c).

The proposed policy statement was published for comment in the *Pennsylvania Bulletin* on May 20, 1995. Subsequently, comments were received from OCA, Peoples Natural Gas (Peoples), PGA, IECPA, Columbia, Equitable and Natural Gas Supply.

On July 1, 1999, the Natural Gas Choice and Competition Act (Gas Choice Act), 66 Pa.C.S. §§ 2201—2212, went into effect. Based upon that legislation, which provides for retail gas consumers to choose a natural gas supplier, the Commission has determined that the proposed policy statement is no longer necessary.

The proposed policy statement was adopted to provide greater opportunities than traditional cost-based regulation for LDCs to reduce gas costs and rates. Specifically, PBI programs were intended to encourage LDCs to achieve superior performance and increased efficiency, allowing shareholders and ratepayers to share in the benefits.

However, with the passage of the Gas Choice Act and the unbundling of natural gas distribution and supply, and the introduction of competitive supply, we find that the implementation of PBI programs is no longer necessary to provide these incentives. Rather, we believe that the incentives of LDCs to reduce costs and increase efficiency are inherent in a competitive environment. In particular, if LDCs do not optimize their performance in purchasing low-cost gas supplies, retail consumers have the option to choose an alternative supplier.

We are satisfied that the incentives inherent in a competitive supply market, combined with our ongoing review of section 1307(f) costs, are sufficient to encourage LDCs to achieve superior performance and increased efficiency. Accordingly, the Commission withdraws the proposed policy statement.

*Therefore, It Is Ordered That:*

1. The proposed policy statement at the above docket be withdrawn.
2. This order be published as a notice in the *Pennsylvania Bulletin*.
3. A copy of this order be served on all parties that filed comments in this proceeding.
4. This docket be marked closed.

JAMES J. MCNULTY,  
*Secretary*

[Pa.B. Doc. No. 00-1046. Filed for public inspection June 16, 2000, 9:00 a.m.]

DEPARTMENT OF GENERAL SERVICES

