

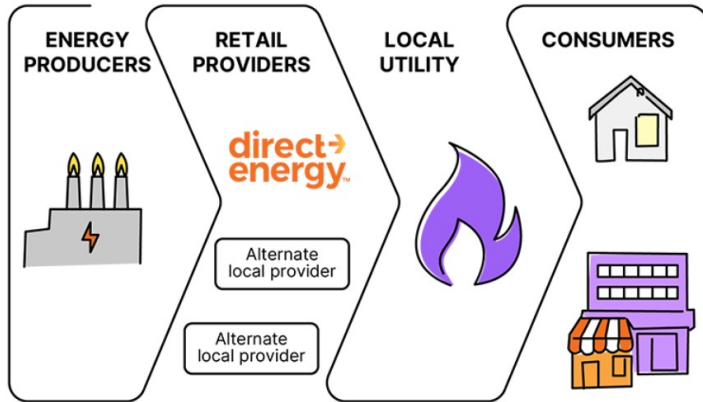
Major players in the Pennsylvania natural gas market

Direct Energy, December 6, 2023

4 minute read

Consumers who are trying to set up their homes or find a better energy deal face what at first seems to be a tangled and twisted system, with confusing information about price, supply, and delivery.

There are a lot of misconceptions about how [Pennsylvania natural gas choice](#) works and many don't understand the different roles played by the organizations involved. To better understand how Pennsylvania's natural gas choice works, let's start with who is doing what.



Governance & oversight

The [Pennsylvania Utilities Commission \(PUC\)](#) balances the needs of consumers and utilities; ensures safe and reliable utility service at reasonable rates; regulates both Natural Gas Distribution Companies (NGDCs) and Natural Gas Suppliers; operates the natural gas choice website [PaGasSwitch.com](#); and protects the public interest. The PUC is also authorized to enforce federal pipeline safety laws for natural gas pipelines, equipment, and facilities within the state. The PUC has 12 offices and bureaus and is headquartered in Harrisburg.

The [Office of Competitive Market Oversight \(OCMO\)](#) was formed by the PUC and provides an informal forum for resolving disputes between local Pennsylvania utilities and gas suppliers. Currently, it's exploring ways to [expand competition and modernize regulations](#) as shale gas production grows.

Natural gas distribution companies (NGDC's)

There are 7 primary utility companies and their subsidiaries serving consumers in Pennsylvania. NGDCs, also referred to as "local utilities" or "local distribution companies" (LDCs for short) sell natural gas to their customers at their cost (they're prohibited from making a profit on the gas commodity itself).

The utility collects a distribution charge from all customers for delivering the gas through their pipes — the gas lines that run down your street and into your home. They are also responsible for metering and maintaining gas lines, so if you smelled gas, you would call your local utility. In Pennsylvania, that includes:

- [Columbia Gas of PA, Inc.](#)
- [National Fuel Gas](#)
- [PECO Gas](#) (part of Exelon)
- [Peoples Natural Gas](#)
- [Philadelphia Gas Works](#)
- [UGI Utilities](#)
- UGI Central Penn Gas (part of UGI Utilities)
- UGI Penn Natural Gas (part of UGI Utilities)
- [Valley Energy Inc.](#)

Pricing

Since each regulated local gas utility charges the market rate for natural gas, it helps to know how they price their units. Some Pennsylvania utilities price natural gas in either cents per CCF (100 cubic feet) or dollars per Mcf (1,000 cubic feet). Some utilities price their gas in decatherms (DT). For example, Peoples Natural Gas charges by Mcf, while Columbia charges by the therm (1/10 of a decatherm).

[Natural gas volumes](#) are compared this way:

- 1 therm = 100,000 British thermal units (Btu), roughly equivalent to 1 CCF
- 1 decatherm (DT) equals 10 therms or 1,000,000 Btu (MMBtu)
- 1 decatherm = about 1,000 cubic feet. (Mcf)
- Natural gas is sold on the commodity markets in dollars/MMBtu.

Customers who don't shop for a competitive natural gas supplier [receive default supply service from their local utility](#). Customers pay a supply charge composed of a [Purchased Gas Cost](#) (the price of the gas itself), a Gas Procurement Charge (the administrative costs for the utility to buy gas supplies), and a Merchant Function Charge (the utility's uncollectible accounts associated with gas supply service).

This price is also known as the "[price to compare](#)", meaning it can be used as a benchmark price to compare with offers from competitive gas suppliers in your area (e.g. [Philadelphia](#) or [Pittsburgh](#)). The prices are set by the PUC and vary from month to month depending on the market price of natural gas.

Natural gas suppliers (NGSs)

An [NGS](#) is an entity that sells or arranges to sell natural gas to customers that are delivered through the distribution lines of a Natural Gas Distribution Company. Apart from supplying natural gas, many offer additional incentives and reward programs to their customers — something the old utilities rarely did.

Gas suppliers competitively shop the natural gas market to find the best prices. [Consumers who choose](#) an NGS and lock in a low rate in advance of winter can avoid the volatility of their local Pennsylvania utilities' monthly variable pricing and save money during bitter winter weather. Longer-term contracts can avoid utility rate increases altogether.

Because NGS rates are controlled by market prices, it's important to understand that prices, terms, and contracts vary between gas supplier companies and will affect your natural gas bill. Competitive suppliers must pay for gas, pipeline transportation, and storage many months before it's needed by their customers. While the PUC does not regulate the prices offered by NGS, [PUC regulations](#) require that retail suppliers must be well-capitalized and able to meet technical, managerial, and financial requirements to do business in Pennsylvania. All natural gas suppliers must be certified by the PUC.

Direct Energy meets all PUC regulations and has been a licensed natural gas supplier in Pennsylvania [since December 2, 2004](#).

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