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SOUTH FLORIDA NATURAL GAS COMPANY

TO ISSUES DISCUSSED AT THE

AUGUST 22 - 23, 1996

PUBLIC SERVICE COMMISSION UNBUNDLING WORKSHOP

IN DOCKET 960725.GU

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FPSC-RECORDS/REPORTING

OBLIGATION TO SERVE AND SERVICE OFFERINGS

1. Should the LDC be required to be the supplier of last resort?

South Florida Natural Gas believes that the LDC should not be required to be supplier of last resort, but feels it will automatically become the supplier of last resort if the customer's gas supply does not show.

In Florida the LDC does not have the resources that are available as in other parts of the country (such as storage, Peakshaving, extra gas supply, the inability to disconnect and only one pipeline). Therefore the LDC should be permitted to provide this as a service under contract or tariff provisions and with large penalties to prevent gaming of the system and to cover the cost the LDC will incur by providing its best effort to meet last minute supply requirements.

2. Should the LDC be required to offer transportation service to all classes of customers?

SFNG believes that the FPSC should proceed with caution when unbundling the small customer class (small commercial and residential). The core customer and the LDC should remain revenue neutral with this change (no added cost). Also the customer which elects to leave the LDC to a marketing firm, where by aggregation or a larger customer with firm capacity the capacity should stay with that customer.

The capacity should be based on each month average for the next twelve month period. The company also believes that a customer wishing to transport should have real-time metering.

The technology of real-time metering is advancing daily and the LDC should have this option to require this type of equipment.

SFNG believes the small commercial and residential customer should not be included in the unbundling process. The expected savings for the class of customer would not cover the costs involved.

3. Should the LDC have the obligation to offer backup or no-notice service for firm transportation?

NO. SFNG covers this question to some degree in Question number one. For the small LDC, such as SFNG all of the customers would be considered as core customers and SFNG would automatically become the supplier. The company sees this as a tariff item, which would be covered by no-notice or possibly some type of swing service for a fee.

4. Should the LDC be relieved of its obligation to transport if the customer fails to secure firm suppliers or back-up service?

YES. If the customer fails to secure supply, there is no product for the LDC to deliver. The LDC should be permitted to make best efforts to supply gas, with just compensation for the gas at penalty rates.

5. Should the LDC be allowed to use transportation customer's gas in critical need situations?

The company believes that gas should be confiscated only from customers with backup fuel, but not in the event of a firm transportation customer, unless of a company force-majeure (pipeline break or system pressure drop) and the customer reimbursed for their costs.

With SFNG being a small core customer supplier only, we see no need to confiscated transportation supply if the customers capacity follows the customer.

6. Should LDC's be allowed to curtail gas service to a firm transportation customer who has demonstrated that their gas supply arrived at the city gate?

Answer is the same as question number five.

7. Should the LDC be allowed to require transportation customers using gas for essential human needs to contract for standby service?

YES. SFNG believes that the PSC should allow the LDC to have this flexibility if such a service could be made available by the LDC. Again with SFNG having only core customers the filed tariff should be followed.

8. Should the LDC be required to offer customers the ability to combine unbundled and bundled service?

SFNG thinks that the LDC should again have the flexibility to do so, if company management elects to do so. This would be included in a tariff filing, SFNG sees the bundled amount going through the meter first.

9. Should the LDC be permitted to stream gas on a competitive basis using a negotiated rate?

SFNG feels that this is one more way of customer retention. Streaming of gas would curtail the loss of a customer in a by-pass situation both physical and price by-pass. The LDC would demonstrate that the non-participants would be worse off without the streaming transaction.

10. Should all LDC's be subject to unbundling?

SFNG believes that small LDC's should not be subject to unbundling. Small LDC's which have all small commercial and residential customers. These customers can not see the benefit or savings with unbundling.

The average savings for a residential customer may be \$6.50 per year? Also, if the capacity moves with each customer the secondary market wouldn't be used for core customers to increase the savings. SFNG sees the secondary market to be used mostly for some large firm industrial and interruptable classes of customers.

The PSC should consider either making unbundling optional for small LDC's or at least delaying the timetable for the small LDC's to allow time to find out the cost burden on both the LDC's and the customers. The cost for any small utility complying with any regulatory plan, program or filing requirement should be balanced against whatever protection that is thought to be provided to the customer.

11. Should all LDC services be performed pursuant to filed tariff and should any desired rate flexibility be effected under a filed rider?

SFNG believes that all services should and shall be performed by approved filed tariffs, if this is done no rate flexibility rider would be needed.

12. Should the LDC's have the right to unilaterally terminate transportation agreements without cause.

SFNG believes that no LDC would terminate any service without good cause! (Could terminate with cause).

13. Should LDCs be required to "act reasonable" and should "sole discretion" provisions in the tariff read "reasonable discretion"?

SFNG will answer this question very simply. LDC's shall follow their tariffs as filed. The terms noted above should be clarified to what is reasonable!

14. Should the LDC's be allowed to require a waiting period to transportation customers wanting to return to bundled services?

YES. SFNG feels that a waiting period is needed for a number of reasons. (1) With the published PGA the transportation customer or the marketer could game the system, moving back and forth to receive the best price of gas. (2) The LDC may not have available upstream pipeline capacity to serve the customers at the time the customer wishes to return to sales service, unless the capacity flows back with the customer. (3) Time may be needed to obtain a gas package.

15. Should the price for LDC transportation service be based on cost of service principles?

YES. SFNG feels that all remaining regulated services should be based on cost of service principles. The Commission should move as quickly as possible to get all rates of the LDC to parity.

AGGREGATION

27. Should LDC's be required to have aggregation tariffs?

SFNG believes that the PSC should consider either making unbundling optional for small LDC's or at least delaying the timetable for the small LDC's as answered in question number ten. If aggregation is required it should be based on a usage threshold which is reasonable for both the customer and the LDC. SFNG thinks that the threshold should be set somewhere in the range of 100,000 MMBTU's for aggregation of small commercial and residential customers with real-time metering.

28. Should capacity releases to aggregators be subject to recall to correct any mismatch between customer load and assigned capacity outside a determined tolerance?

SFNG feels this should be a tariff item. As a small LDC and because all of our customer base is core customers, we see that the only recall of capacity would be if the LDC has assigned too much capacity to a transportation customer and that capacity is being used off system, the LDC should have the right to recall needed capacity.

29. Should aggregators become the customer of the LDC, rather than the individual customer whose loads are being aggregated?

YES. SFNG believes that it is important that it has the balancing tools necessary to safely operate its system and maintain necessary operating pressures. The individual customer would still be a customer of the LDC (billing of non-fuel).

The LDC should also be allowed to have individual contracts with the aggregators.

Penalties should be billed to the aggregator only. The aggregator should not be allowed to pass these penalties on to the small commercial and residential customers.

30. Do LDC's tell suppliers, marketer and brokers how much gas to deliver into the LDC's system for aggregation customers, or do the suppliers, marketers and broker tell the LDC how much gas they are delivering? (A) How are imbalances handled, and (B) who has financial responsibility?

SFNG believes that the aggregator should make nomination for their aggregated loads to the LDC and must be held operationally and financially responsible for deliveries through the system.

The company should be allowed to develop balancing tariff provisions when the total unbundling process is completed.

31. Should aggregators be able to order transportation service by phone or simply ask their agents to take care of the details of arranging service?

NO SFNG believes that a one page letter from the customer, which states the company that will be handling their transportation needs. There would also be a contract made between the aggregator marketer and the company.

32. Should aggregators be afforded the same load management tools used by the LDC in its capacity as supplier of bundled sales service?

- 32.1 Hold the upstream capacity of their customers, if asked to do so.

SFNG feels that the capacity should move with the customer, based on a monthly average (history).

- 32.2 Receive and pay their customer's transportation bill?

The aggregators should pay the transportation bills based upon the meter reading supplied by the LDC. The meter reading should be done by the LDCs. SFNG sees this as a safety issue, our meter readers are trained to make a vegetation survey, condition of meter (index covers and dog chains on meter, which would cut our cathodic protection, general maintenance, painting, leaks on meters, unauthorized gas usage, etc).

Billing for the non-fuel should be done by the LDC. The LDC could also bill for the commodity for the

Billing for the non-fuel should be done by the LDC. The LDC could also bill for the commodity for the aggregator, for a fee.

32.3 Balance all their customer's usage as one pool?

SFNG believes that if pools are formed that the same class of customer should be in that pool (example: residential one class and small commercial another class, and so on).

32.4 Choose to have all LDC's penalties and operational orders directed at their pools, rather than their customers?

SFNG believes that all penalties and OFO's should go to the aggregator/marketer. The PSC shouldn't allow penalties to flow to core end users.

32.5 Aggregate any collection of customers?

NO, because SFNG feels that small commercial and residential customers should not be unbundled.

32.6 Aggregate upstream capacity for the purpose of submitting one city gate nomination for their customers?

SFNG feels that the aggregator should make one nomination for each class or type of customer, not just one nomination.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that true and correct copies of South Florida Natural Gas Company's Response to Issues in Docket No. 960725-GU have been served upon the following parties by Hand Delivery (*) and/or U. S. Mail this 25th day of September, 1996:

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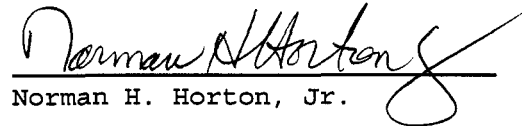
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