



DEPARTMENT OF MANAGEMENT  
**SERVICES**

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FILE COPY**

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October 7, 1996

Suite 260

Blanca Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: Docket No. 960725-GU  
Unbundling of Natural Gas Services

Dear Ms. Bayo:

Enclosed for filing in the above docket are an original and 15 copies of Department of Management Services' Written Comments on Unbundling of Natural Gas Services, along with our attached Certificate of Service.

ACK \_\_\_\_\_ Sincerely,  
AFA \_\_\_\_\_  
APP \_\_\_\_\_  
CAF \_\_\_\_\_

Stephen S. Mathues  
Assistant General Counsel

CTD \_\_\_\_\_  
EAG \_\_\_\_\_

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*[Signature]*  
FPSC-BUREAU OF RECORDS



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FPSC-RECORDS/REPORTING

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Unbundling of Natural )  
Gas Services )

DOCKET NO. 96075-GU

**THE FLORIDA DEPARTMENT OF MANAGEMENT SERVICES WRITTEN  
COMMENTS CONCERNING DOCKET NO. 960725-GU AND THE ISSUED DISCUSSED  
DURING STAFF WORKSHOP NO. 1 CONDUCTED ON AUGUST 22-23, 1996**

The Florida Department of Management Services (DMS) appreciates the Staff's efforts to thoroughly investigate Unbundling of Natural Gas and the potential benefits to all end use customers without bringing financial harm to the LDCs. DMS is close to completing two years of implementing its Florida Natural Gas Procurement Program (FNGPP). Efforts to move State-owned gas into numerous State facilities has been delayed in some instances due to the significant changes that are underway within the gas industry and within some LDCs. Peoples Gas System (PGS) has implemented a new Aggregation Rate that will allow unbundled gas service to some of the State's smallest loads which enables further implementation of the FNGPP. DMS appreciates the cooperation and willingness of PGS to meet the goals of the State program which benefits all state residents. We expect these unbundling workshops and subsequent procedures will lead to increased implementation of the FNGPP in other LDC's service territories as well.

The comprehensive compilation and categorization of pertinent issues are very helpful in guiding workshop discussions and keeping dialogue focused. Since resolution of some issues is extremely complex, and is often interrelated with key issues in other discussion categories, we concur with the multiple workshop concept and having time to digest and reflect on the presentations and discussions by all of the parties. We appreciate the opportunity to provide

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written comments to the Commission Staff for consideration. The following comment numbers correlate to the Issue Numbers discussed during the August 22-23, 1996, workshop.

*Obligation to Serve/Service Offerings*

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

The LDC will automatically become the supplier of last resort, since frequently there is a lack of physical ability to turn off the gas supply to those customers that planned for alternative gas supply arrangements and for some reason are unable to receive that gas. Consequently, the LDCs must be prepared to respond to such emergencies, at least to some degree. Penalties can be designed to encourage such consumers to have back-up fuel supplies or tighten their alternative gas supply contract arrangements and ensure they either receive their gas or are covered financially for replacement gas services. To the maximum extent possible, any resulting increased LDC system cost should be borne only by those consumers causing the impact.

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

Offering transportation service to all classes of customers can be phased in over time. The lack of economic value will deter most customer classes from making transportation contract arrangements in the foreseeable future.

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

No comment.

4. Should the LDC be relieved if its obligation to transport if the customer fails to secure firm supplies or backup service?

If the LDC has appropriate penalties set within its tariff for customers that do not fulfill transportation agreement delivery requirements, there should be no reason to relieve the LDC of its obligation to provide transportation services.

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

If the transportation customers' gas is arriving at the City-Gate along with some curtailed amount of the LDC's gas, the LDC should satisfy its emergency requirements with its own gas resources and not confiscate the transportation customers' gas. If the LDC is unable to receive any gas and the transportation customers' gas is the only gas available, the LDC should be able to use the transportation customers' gas to provide

service for “essential human needs” customers and appropriately compensate the transportation customers.

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

Unless there is a physical impairment to the LDC’s system, the LDC should not be allowed to curtail the transportation customers’ gas the transportation customers’ gas can be shown to have arrived at the established point of delivery.

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

Similar to Issue No. 4, if the LDC has appropriate penalties in its tariff for customers that don’t fulfill transportation delivery requirements there should be no need to impose standby service on those customers.

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

Combined services should not be withheld from customers that have multiple points of delivery with differing service requirements.

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

No comment.

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

All LDCs can be unbundled, although the threshold for some customer classes may need to be varied in the different size LDCs.

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

No Comment.

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

We see no justification for an LDC to have the authority for unilateral termination without just cause.

13. Should LDC's be required to "act reasonable" and should "sole discretion" provisions in the tariffs read "reasonable discretion"?

There is no question that the LDC must have sole discretion in decisions affecting its system and protecting its customers' interests. The operational concept of "reasonableness" is a valid parameter for all LDCs to operate under and is usually the standard. The idea of using the term "reasonable discretion" does not preclude the idea of sole discretion and could be combined into the term "sole reasonable discretion".

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

No comment.

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

No comment.

#### Aggregation

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

Recommend some degree of aggregation be phased in by each LDC over a reasonable period. The practical application of such tariffs should initially not be extensive. Concern expressed by some LDCs about anticipated increases in their administrative workload may be overstated. Unless there is a significant financial benefit, customers will not go through the additional contract process.

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

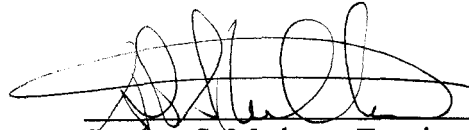
No comment.

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

There should be a single agreement with the LDC for multiple aggregated loads and thereby reduce the administrative workload for both the aggregating entity and the LDC.

- 30-32. No comments.

DATED this 7th day of October, 1996.



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Attorneys for Department of Management  
Services

## CERTIFICATE OF SERVICE

DOCKET NO. 960725-GU

I HERBY CERTIFY that a true and correct copy of the foregoing has been sent by prepaid U. S. Mail to:

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