

UNBUNDLING WORKSHOP  
QUESTIONS AND ANSWERS

Docket No. 960725-GU-Unbundling of Natural Gas Resources.

The following are Texas-Ohio Gas' reply to the questions and issues proposed at the first unbundling workshop.

Q1: SHOULD THE LOCAL DISTRIBUTION COMPANY (LDC) BE REQUIRED TO BE THE SUPPLIER OF LAST RESORT?

A: Texas-Ohio Gas believes that the LDC should be the supplier of last resort. In any instance of deregulation the gas company will always be ultimately responsible for ensuring gas supplies to those customers of a firm supply need. Being fairly compensated for the burden of being the supplier of last resort will ease the burden for those utilities who are left dealing with non-delivery or non-performance issues by marketing companies who provide gas to customers behind an LDC's city gate. If the LDC were not required to be the supplier of last resort, the only option, we feel, would be for the LDC to completely remove itself from the retail merchant function. This scenario would remove the LDC from the responsibility to deliver should a supplier fail and will allow for the creation of pooling suppliers to take over in the event of non-deliveries to the city gate for particular customers requiring firm deliveries.

Q2: SHOULD THE LDC BE REQUIRED TO OFFER TRANSPORTATION SERVICE TO ALL CLASSES OF CUSTOMERS?

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A: Ultimately, the goal would be to offer transportation services to any type of customer who would stand to benefit from a deregulated marketplace regardless of service type or service size; i.e. large industrial to the residential customer. However, given the slow pace with which Florida has begun to unbundle and deregulate, it would be disastrous at this time to completely deregulate down to the residential level. The process of unbundling in Florida must be a process which is phased-in; however, the objective should be to move unbundling in the direction where it is desired and is economically feasible. In time, if residential are capable of realising savings from transportation service the demand of such desire will become apparent to marketing companies, LDCs, and the Commission as well.

Q3: SHOULD THE LDC HAVE THE OBLIGATION TO OFFER BACK-UP OR NO NOTICE FOR FIRM TRANSPORTATION CUSTOMERS?

DOCUMENT NUMBER-DATE

10792 OCT-98

FPSC-RECORDS/REPORTING

A: Assuming that the LDC is obligated to be the supplier of last resort, it will become imperative for a service such as back-up supply in order to assure the customer of gas deliveries via the LDC should the gas supplies fail to arrive at the city gate. Back-up service, in our opinion, should be a service which is available to either firm or interruptible customers. It will obviously be necessary for a firm customer to subscribe to back-up service or face the risk of being without gas during a critical time period. However, interruptibles should also have the option of subscribing to back-up services in lieu of switching to an alternate fuel source, which may not be preferable or beneficial to the customer. For offering this service, the LDC is rewarded monetarily and can thereby ensure reliable deliveries to a firm customer.

Q4: SHOULD THE LDC BE RELIEVED OF ITS OBLIGATION TO TRANSPORT IF THE CUSTOMER FAILS TO SECURE FIRM SUPPLIES OR BACK-UP SERVICE?

A. Ultimately, the LDC should not be responsible for gas deliveries should a customer fail to secure firm supplies or back-up service. However, I think an LDC should be willing to back a customer up if the LDC is in a position to do so. In return, the customer must pay a premium for such back-up gas supplies. For example, in other areas, if a customer uses the gas companies gas because their supplies did not show for whatever reason; the utility supplies gas to them at 110% of the standard tariff rate.

Q5. SHOULD THE LDC BE ALLOWED TO USE TRANSPORTATION CUSTOMER'S GAS IN CRITICAL NEED SITUATIONS?

A. Yes, in critical need situations the LDC should be allowed access to gas which has arrived at the city gate. The customer, on the other hand, should be given gas in return or just compensation for the loss of such gas.

Q6: 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?

A. No, the curtailed customer would no longer be firm. As discussed at the workshop, there should be a "pecking order" of firm customers.

Q7: SHOULD THE LDC BE ALLOWED TO REQUIRE TRANSPORTATION CUSTOMERS USING GAS FOR "ESSENTIAL HUMAN NEEDS" TO CONTRACT FOR STANDBY SERVICE?

A: The LDC should not be allowed to require transportation customers to contract for anything which they do not want. It is important, however, that the customer understand the risks associated with not subscribing to back up supply. The customer must be absolutely aware of all risks associated with such services and back up options available to them. One such consideration could be a stand by sales service. This would obligate the LDC to be the supplier of last resort, but, they shall be compensated fully for this obligation. Mr. Hue Grey said in the workshop that Peoples gas had many options for purchasing extra gas during the month. Texas-Ohio understands this to mean that at any given time Peoples can acquire gas at some cost. We believe this cost needs to be evaluated.

Q8: SHOULD THE LDC BE REQUIRED TO OFFER CUSTOMERS THE ABILITY TO COMBINE UNBUNDLED AND BUNDLED SERVICES?

A. Texas-Ohio believes that if a gas customer wants the option of purchasing both transportation gas service and system supply service, then it should be offered. Often times, LDCs will allow a customer to split their loads thereby allowing the customer to take a portion from the LDC. This provides the customer with a greater confidence in terms of always getting gas. At times customers are hesitant to move to transportation gas service for fear that the utility will become bitter or vindictive toward them for making "the switch". Splitting their load among the two levels of service may ease the customers concerns.

Q9: SHOULD THE LDC'S BE PERMITTED TO STREAM GAS ON A COMPETITIVE BASIS USING A NEGOTIATED RATE?

A. No. It is our opinion that the role of the LDC should revolve around "obligation to serve". The LDC as an agent acting on behalf of general public and as a regulated utility has the advantage over marketers of knowing the entire customer base. LDCs', also, were they allowed to market through streaming, possess the unfair advantage of being the local utility. Texas-Ohio Gas is in favor of open and free competition.

Q10: SHOULD ALL LDC'S BE SUBJECT TO UNBUNDLING?

A. Unbundling of services is in the spirit of 636. The answer to this question is, Yes. Unbundling allows end users to choose those services that are particular to their needs. It also allows end users to see what they are paying for. The end result of unbundling is that the market becomes more competitive and the consumer benefits from this.

Q11: SHOULD ALL LDCs' SERVICES BE PERFORMED PURSUANT TO FILED TARIFFS AND SHOULD ANY DESIRE RATE FLEXIBILITY BE EFFECTED UNDER A FILED RIDER?

A. All rates need to be filed with the PSC and be appended to the tariffs. This method is the only one that creates order and insures that every involved party is informed.

Q12: SHOULD THE LDCs' HAVE THE RIGHT TO UNILATERALLY TERMINATE TRANSPORTATION AGREEMENTS WITHOUT CAUSE?

A. No. Contracts, commitments and expectations are made based upon transportation agreements. Acting unilaterally without cause creates chaos behind any system.

Q13: SHOULD THE LDC BE REQUIRED TO "ACT REASONABLE" AND SHOULD "SOLE DISCRETION" PROVISIONS IN THE TARIFFS READ "REASONABLE DISCRETION"?

A. LDCs must be able to maintain the integrity of their system, barring this need our expectation would be that the LDC would act reasonable.

Q14: SHOULD THE LDC BE ALLOWED TO REQUIRE A WAITING PERIOD TO TRANSPORTATION CUSTOMERS WANTING TO RETURN TO BUNDLED SERVICES?

A. Transportation customers in many cases sign a year contract. The notion of transportation of a year has multiple benefits for all involved. First, for the end user, whether he transports using several marketers or one, he has the benefit of a full year of taking advantage of price variances between winter and summer gas. For the marketer, the advantage is similar to the end user. Strip prices can be bought and positions for winter and summer gas can be realized. For the LDC, the advantage of a year term is that it is allowed to better plan how much gas will be required by its core customers.

Q15: SHOULD THE PRICE FOR LDC TRANSPORTATION BE BASED ON COST OF SERVICES PRINCIPLE?

A. In an open and free market place, it is our opinion that end users should only pay for those services rendered. Naturally, LDCs under the obligation to serve must be able to recoup costs associated with the principles of gas on demand.

**AGGREGATION:**

Q27: SHOULD LDC'S BE REQUIRED TO HAVE AGGREGATION TARIFFS?

A: As long as LDC's are showing advancement in the evaluation of deregulation, there should be no guidelines under which a particular Ldc must follow an aggregation plan. It appears that part of the evaluation of deregulation includes some degree of aggregation.

Q28: SHOULD CAPACITY RELEASES TO AGGREGATORS BE SUBJECT TO RECALL TO CORRECT ANY MISMATCH BETWEEN CUSTOMER LOAD AND ASSIGNED CAPACITY OUTSIDE OF DETERMINED TOLERANCE?

A: If any customer, aggregate or not, is going to be allowed to transport through a third party supplier, then that customer should be allowed to benefit from increased savings due to the secondary capacity market. If each customer is given the choice of where and how much capacity is needed, the question of recall to correct mismatches will not be an issue for the LDC's. If any customer is going to be forced to take capacity from the LDC as a prerequisite for transportation service, then that customer should not pay for any capacity they do not utilize.

Q29: SHOULD THE AGGREGATORS BECOME THE CUSTOMER OF THE LDC, RATHER THAN THE INDIVIDUAL CUSTOMER WHOSE LOADS ARE BEING AGGREGATED?

A: NO. The aggregator is in this market to provide a service resulting from deregulation. By forcing the supplier to become a customer of the LDC is allowing the supplier to be controlled by the LDC. The LDC customers have deposits, relationships, and obligations to the LDC that the suppliers do not want. There would appear to be no benefit to anyone by forcing the suppliers to become customers of the LDC.

Q30: DO LDC'S TELL SUPPLIERS, MARKETERS, AND BROKERS HOW MUCH GAS TO DELIVER INTO LDC'S SYSTEM FOR AGGREGATION CUSTOMERS, OR DO THE SUPPLIERS, MARKETERS, AND BROKERS TELL THE LDC HOW MUCH GAS THEY ARE DELIVERING? (A) HOW ARE IMBALANCES HANDLED AND (B) WHO HAS FINANCIAL RESPONSIBILITY?

A: The supplier should be allowed to deliver gas for the customer's needs according to the customer's usage. This brings up one major problem, a supplier will need to know a customer's consumption on a regular basis. This is easily achieved through an electronic meter reading device. The LDC should be required to justify the cost of such devices. There are bagel shops in the northeast that are transporting natural gas who have paid under \$1,000 for an automatic meter reading device and a phone line. If the LDCs have proven that they have exhausted their resources for installing reasonably priced telemetering equipment, then the customer should be given the choice of whether or not they want this kind of service. We believe the customer will see the benefits of having reasonably priced telemetering. If the customer elects not to pay for installation of a meter reading device, then this customer's supplier will need to be told how much gas to deliver for the customer's account. Each LDC will need to establish their own imbalance plan. The financial responsibility shall fall on the customer. Who will handle this financial burden shall then be determined between the customer and the supplier. Again, the supplier should not become a customer of the LDC.

**Q31: SHOULD AGGREGATORS BE ABLE TO ORDER TRANSPORTATION SERVICE BY PHONE OR SIMPLY ASK THEIR AGENTS TO TAKE CARE OF THE DETAILS OF ARRANGING SERVICE?**

A: Each LDC currently has their own procedures for establishing service. As long as this procedure does not stymie the process, the LDC should determine the steps to transportation service that best meet their needs.

**Q32: SHOULD AGGREGATORS BE AFFORDED THE SAME LOAD MANAGEMENT TOOLS USED BY THE LDC IN ITS CAPACITY AS SUPPLIER OF BUNDLED SALES SERVICE:**

A: The aggregator should be allowed to obtain secondary firm interstate capacity for those customers wanting to take advantage of additional savings. With this fact established, the aggregator should be allowed to manage the account as one. Imbalances, capacity costs, and deliveries should be distributed to customers through their aggregation agent.