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February 21, 1997

**By Hand-delivery**

Ms. Blanca S. Bayo, Director  
Public Service Commission  
Division of Records and Reporting  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32301

RE: Docket No.: 960725-GU

Dear Ms. Bayo:

Attached for filing in the above-referenced proceeding is the CNB Olympics Written Response to Staff Question Presented February 6, 1997 Concerning Unbundling Docket NO. 960725-GU, the fax of which was filed February 20, 1997.

Please contact me at the above number if you have any questions.

Sincerely,



Barrett G. Johnson

- ACK ~~\_\_\_\_\_~~ BGJ/rja
- AFA ~~\_\_\_\_\_~~ Enclosures
- APP \_\_\_\_\_
- CAF \_\_\_\_\_ cc: Parties of Record
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG \_\_\_\_\_
- LEG 1 \_\_\_\_\_
- LIN 5 \_\_\_\_\_
- OPC \_\_\_\_\_
- RCH \_\_\_\_\_
- SEC 1 \_\_\_\_\_
- WAS \_\_\_\_\_
- OTH \_\_\_\_\_

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

ORIGINAL  
FEB 1997

**CNB/OLYMPICS WRITTEN RESPONSE TO STAFF QUESTION PRESENTED  
FEBRUARY 6, 1997 CONCERNING UNBUNDLING DOCKET NO. 960725-GU**

Currently our nation is undergoing a quiet revolution in the way utilities traditionally have done business. Computers, quick data information flow, and the flow of capital have allowed the operational feasibility of deregulation in all factions of utility service. This deregulation has already and will over time continue to provide huge efficiencies and cost savings to the business and the general public. This savings and efficiency, of course, include natural gas. It is already obvious to most observers that current unbundling of natural gas industry services in both the large retail customer and pipeline sectors has generated benefits.

Our answer to your question is an emphatic yes. Competition will force efficiency and savings to all sectors currently being served natural gas. When competition arrives the industry becomes dynamic and changing. This change creates new ideas, processes and improvements. A monopoly may not have the incentive or competitive creativity to make these changes on their own. By taking advantage of the efficiencies that technology has brought unbundling is feasible. It will pressure both regulators and LDCs to end existing cross-subsidies and inefficient rate designs. Further unbundling will encourage the entry of cost-efficient service providers, allow more customers more choice and encourage LDCs to be more cost conscious and customer responsive. Florida will fall behind the rest of the nation if it does not take advantage of this unbundling opportunity, and by doing so will lose business and job opportunities in Florida.

Eventually, regulators must determine how far this process should proceed and whether unbundling of residential services represents good public policy. Consumer choice is inherently good and this is true regardless of the customers size. If this state's Commission believes as other state Commissions have come to believe, that all retail gas consumers should directly benefit from competition through choice, then your answer to your question will be yes. If the Commission provides consumers an ability to search out from a variety of service providers the very best deals available they will be able to maximize their own economic well being. What has been learned from the service unbundling experiences of other heavily monopolistic industries is applicable to our industry; competition is good and service unbundling accelerates competition. Transitions will create some hardships that should be minimized and shared by all. But it is our recommendation that the Commission consider the long term savings to every class of customer that can be achieved with the deregulation of natural gas. These savings have been proven in other industries and will be proven in the natural gas industry over time.

A common view presented by participants of these workshops has been that small retail consumers require highly reliable service that only bundled sales service could provide and that small consumers would not want to make choices because of high transaction costs. Florida may join other states in showing that load aggregation by marketers significantly reduces transaction costs for individual consumers and that reliability of service is maintained through a combination of continued regulation and creative contracts. The Commission's focus may confidently shift from how to protect small customers to how to give these customers the same market opportunities as large customers. Leaving existing regulatory rules in place may produce transitory distortions within the industry. The societal benefits that service unbundling can offer may be seriously undermined or greatly diminished if regulation does not evolve. Mitigating distortions and making level this new playing field while maximizing the societal benefits is not so difficult a task. Service unbundling is the most meaningful alternative and next logical step if the Commission wishes to go beyond "protection of customers" E

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BEFORE THE PUBLIC SERVICE COMMISSION

In Re: Unbundling of Natural )  
Gas Services. )

Docket No. 960725-GU  
Filed October 9, 1996

Certificate of Service

I HEREBY CERTIFY that a copy of CNB Olympics Written Response to Staff Question Presented February 6, 1997 Concerning Unbundling Docket No. 960725-GU has been furnished to the following parties of record by U.S. Mail this 21th day of February, 1997.

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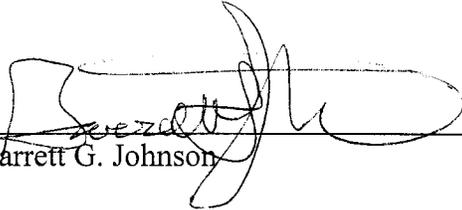
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