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July 23, 1996

FILE COPY

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

HAND DELIVERY

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 Chesapeake Utilities Corporation's Written Comments On Unbundling Of Natural Gas Services, along with our Certificate of Service.

Please acknowledge receipt of the foregoing by stamping the enclosed extra copy of this letter and returning same to my attention. Thank you for your assistance.

Sincerely,

Wayne L. Schiefelbein

Wayne L. Schiefelbein

- K _____
- A _____
- PP _____
- AF _____
- MU _____
- STR _____
- EAG _____
- LEG *Culpepper* _____
- LIN _____
- OPC _____
- RCH _____
- SEC 1 _____
- VIAS _____
- OTH WLS/l dv _____

Enclosures

RECEIVED & FILED

DOCUMENT NUMBER-DATE

07727 JUL 23 96

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Unbundling of Natural)
Gas Services)
_____)

Docket No. 960725-GU

Filed: July 23, 1996

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Chesapeake Utilities Corporation's Written Comments On Unbundling Of Natural Gas Services has been furnished by hand delivery (*) or by U.S. Mail to the following individuals, on this 23rd day of July, 1996:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Unbundling of Natural)
Gas Services)
_____)

DOCKET NO. 960725-GU

**CHESAPEAKE UTILITIES CORPORATION'S
WRITTEN COMMENTS ON UNBUNDLING OF
NATURAL GAS SERVICES**

Chesapeake Utilities Corporation ("Chesapeake" or "the Company") submits the following written comments with respect to Docket No. 960725-GU, Unbundling of Natural Gas Services pursuant to the Order Establishing Procedure issued July 2, 1996.

Chesapeake supports the Public Service Commission Staff's investigation into the unbundling of natural gas service in Florida, however, the Company submits that Staff needs to address several generic issues at the outset of these proceedings to more clearly define the objectives of this docket. Addressing these items up front should facilitate the workshop process as all parties will be able to work collaboratively towards the defined objectives.

1. The first issue that needs to be addressed is actually defining the term unbundling as it will be used in this docket. What is staff's definition of unbundling? Chesapeake views unbundling as separating the LDC's traditional gas sales service into its individual components (i.e., pipeline capacity, gas commodity, transportation, storage, etc.) and determining how the LDC will recover the segregated costs of these services that were formerly borne by the sales customers. We urge Commission Staff to convey its definition of unbundling or address the issue at the initial workshop so that all parties are informed and working towards the same objective.

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2. Chesapeake believes that Staff should convey to all parties its intended goal of these proceedings. Chesapeake believes the goal of this docket should be to develop generic guidelines for the implementation of unbundling of natural gas service in Florida. Within these generic guidelines, each LDC should be able to structure services and tariffs which best fit its distribution system. The PSC should not mandate a "one size fits all" approach. The LDCs in Florida differ widely with respect to number of customers, customer mix and throughput and, as a result, will require different solutions to accomplish unbundling.

3. PSC Staff should consider whether all of the Florida LDCs should be subject to unbundling. Chesapeake believes that the small size of several of the LDCs may warrant special consideration.

4. Two final issues which need to be addressed at the start of the proceeding are the degree to which LDCs will be required to unbundle as well as the implementation schedule of unbundling. These two factors will significantly impact Chesapeake's position on each of Staff's issues as well as the relative importance of each issue. As a result, the Company will need to know the PSC's intentions up front in order to effectively respond to the issues during the course of the workshops.


Chesapeake submits that addressing these four items at the outset of these proceedings will assist in determining the goal and scope of this docket and we encourage the PSC Staff to consider them.

Chesapeake, as a member of the Associated Gas Distributors of Florida (AGDF), has participated in compiling additional issues which need to be addressed during this docket. We have also participated in rewording many of Staff's issues in order to neutralize the emphasis on

the LDCs. Both of these lists will be included in the comments filed in this docket by AGDF on behalf of its members. We adopt AGDF's comments as if they were our own. Chesapeake has also prioritized the combined list of issues and is submitting the Company's top priority issues as Attachment 1.

We appreciate the opportunity to participate and comment on Staff's initial issues list. We look forward to working collaboratively with the other parties in this docket to address the unbundling of natural gas service in Florida.

Respectfully submitted this 23rd day of July, 1996.


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**CHESAPEAKE UTILITIES CORPORATION
UNBUNDLING OF NATURAL GAS SERVICES
PROPOSED ISSUES PRIORITY LIST**

STRANDED INVESTMENT

1. (PSC #24) Should the LDC be allowed to require transportation customers to take capacity held by the LDC?
1. (PSC #26) Should the LDC be allowed to require an exit fee payment when a customer chooses to use third party capacity?
1. (PSC #28) Should the LDC be allowed to institute a temporary Capacity Realignment Adjustment to recoup the LDC's stranded capacity costs?

SERVICE OFFERINGS

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

AGGREGATION

3. (PSC # 19) Should LDCs be required to have aggregation tariffs?

MARKETERS

4. (PSC # 21) Should the LDCs be allowed to charge marketers penalties for any daily over or under deliveries?
4. (PSC # 22) Should the LDCs be required to develop eligibility policies/standards to evaluate potential marketers?
4. (AGDF # 3) Should the Legislature, or perhaps PSC, set requirements for financial capability of suppliers, marketers, and brokers?
4. (AGDF # 2) Should LDCs be permitted to establish non-performance penalties to be levied on suppliers, marketers, or brokers who create imbalance situations for the LDC?

BALANCING

5. (PSC # 12) Should the LDC be allowed to issue OFOs and impose special volume conditions and/or balancing provisions in case of system emergencies and capacity constraints?
5. (PSC # 14) Should the LDC be required to institute a tolerance range for purposes of setting the threshold before an Operational Flow Order is issued?
6. (PSC # 15) Should balancing obligations, costs, and penalties be based on a "no harm/no foul" principle?

OBLIGATION TO SERVE

7. (PSC # 1) Should the LDC be required to be the supplier of last resort?
7. (PSC # 3) Should the LDC have the obligation to offer backup or no-notice service for firm transportation customers?

BALANCING

8. (AGDF # 19) Do LDCs tell suppliers, marketers and brokers how much gas to deliver into the LDC's system for aggregation customers, or do the suppliers, marketers and brokers tell the LDC how much gas they are delivering? How are imbalances handled and who has the financial responsibility to whom?
9. (PSC # 17) Should the LDC be allowed to vary the metering requirements between classes?