

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In re: Unbundling of Natural Gas Services)
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Docket No. 960725-GU
Filed: 07/23/96

**ASSOCIATED GAS DISTRIBUTORS OF FLORIDA'S
PROPOSED ISSUES**

Associated Gas Distributors of Florida, pursuant to Order No. PSC-96-0844-PCO-GU, respectfully files the attached comments and proposed revisions to the tentative list of issues identified by Commission Staff in this docket, and requests the Commission to include said issues within the scope of this docket.

Respectfully submitted this 23rd day of July, 1996.

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**Comments of the
Associated Gas Distributors of Florida**

**before the
Florida Public Service Commission
Docket No. 960725 - GU
Unbundling of Natural Gas Services
July 23, 1996**

The Associated Gas Distributors of Florida (AGDF) appreciate the opportunity to provide comments on the Commission staff's proposed list of issues related to unbundling natural gas service in Florida. The nine regulated gas distribution companies that comprise the membership of the AGDF look forward to an open, frank discussion of the benefits and risks associated with restructuring Florida's natural gas industry. Each AGDF member company plans to actively participate in the docket to identify and address issues of specific concern to their company. While each company exhibits unique operating characteristics that define their individual unbundled service priorities, all AGDF members support the following comments.

As noted in the AGDF's presentation during the October 12, 1995, Staff Workshop on Unbundling, our members support unbundling the services offered by Florida LDC's. We believe that unbundling at the distribution level is a reasonable and beneficial extension of the regulatory restructuring that has already occurred in the production and transmission segments of the industry. Our members are fully prepared to engage in a measured, rational restructuring of LDC service offerings. We also, however, expect to participate in a restructuring of the Commission's traditional regulatory practices. Clearly, we cannot face the risks and challenges of unbundling while continuing to operate under a set of regulatory policies developed for an entirely different business environment.

The AGDF has conducted a detailed review of the Commission staff's proposed issues list. We appreciate staff's effort to structure a framework in which the major issues are identified and addressed. The staff's issues list captures many of the same technical and philosophical concerns raised by our members. The AGDF is concerned, however, that the questions included in the issues list appear to inappropriately place the LDC's in the position of defending their traditional, regulated service practices. Virtually each question focuses on whether the LDC should be allowed or required to engage in a particular unbundling activity. Clearly, the rights and obligations of the LDC's must ultimately be determined. At this point in the proceeding, however, we were hoping that the major unbundling topics could be discussed in a forum that at

least seeks to find consensus among the various parties. In our view, the tone of the initial issues list suggests that an adversarial rather than a collaborative process is anticipated.

We recognize that staff intended the list to be preliminary and subject to revision. The AGDF proposes that most of the questions in the existing list be reworded to neutralize the emphasis on the LDC, and focus attention on the substance of the issues raised by staff. We have drafted a revision to the issues list that, in our view, appropriately restates the questions. This revision, labeled Attachment 1, is appended to our comments for your consideration.

The AGDF has identified eight fundamental areas of concern that will guide our participation in the unbundling docket.

1. The Commission has opened a docket to unbundle natural gas service beyond existing levels without identifying a situation in need of remedy, or establishing clear-cut objectives to be achieved. The AGDF is not at all clear on the scope of service unbundling and LDC restructuring anticipated by the Commission as a result of this docket. If one of the purposes of the workshops is to develop a transition plan stating the Commission goals for unbundled service, then we look forward to participating. If not, then we urge the Commission to identify its intentions.
2. To our knowledge the Commission has not defined unbundling as it applies to this docket. Again, it may be staff's intent to develop a definition during the workshops. However it is accomplished, our member companies must have a better understanding of the anticipated scope of unbundling, LDC restructuring and the Commission's long-term regulatory objectives for the industry.
3. The unbundling implementation schedule resulting from this docket is of significant concern to our industry. Given the unknown scope of the docket it is difficult to project a reasonable implementation timeframe at this point. Our member companies are prepared to individually describe their time requirements. In general the AGDF strongly favors an order that allows each company sufficient time to restructure its back office functions and appropriately address other transition issues. It is likely that the time requirements to accomplish these tasks will vary among the LDC's. The 90 day tariff filing requirement noted in the Commission's proposed issue No. 30 is probably inappropriate for any purpose other than a modest expansion of our current unbundling activities.

4. Florida LDC's must be allowed the flexibility to design individualized unbundling plans and tariff requirements that specifically address each utility's unique situation. The customer base, rates, staffing levels, technical abilities, operational practices and information systems vary widely from LDC to LDC. This diversity among LDC's must be addressed in any process that attempts to develop industry-wide unbundling procedures. Additional flexibility must also be provided to enable individual companies to design rate structures and tariff requirements that allow LDC's to grow and retain market share in an increasingly competitive environment. The AGDF has no objection to developing standardized parameters of service. We also can agree to the establishment of a regulatory oversight process that generally directs the timing and scope of our filings. However, we will have great difficulty accepting any Commission action that attempts to resolve all of the proposed issues in a "one size fits all" format.
5. The costs of offering transportation service, on both a transition and a permanent basis, must be appropriately allocated. Obviously, the costs of long-term capacity entitlements are of primary concern. However, the costs associated with metering, billing, customer information, customer education, system management and other administrative activities must be recovered.
6. A clear identification of the utility's obligation to serve must be provided in the Order, including the LDC's opportunities to offer stand-by service at market rates.
7. The LDC must have the opportunity to prescribe by tariff the system management tools that allow efficient, reliable service. Generally, the nomination, balancing, penalty and flow management requirements should parallel FGT's.
8. The LDC should have the ability to define, within Commission guidelines, eligibility policies, performance standards and administrative obligations for shippers on its system.

In addition to the fundamental concerns noted above, the AGDF has prepared a list of issues that we believe should be included for consideration in the docket. These issues are appended to our comments as Attachment 2.

Thank you for giving us the opportunity to respond to the Commission's initial issues list on unbundled service. We look forward to working together to develop service offerings and a regulatory climate that appropriately address today's competitive marketplace.

Attachment 1
Proposed Revisions to Staff's Gas Unbundling Issues List
Associated Gas Distributors of Florida
Docket No. 960725 - GU
July 23, 1996

Obligation to Serve / Service Offerings

1. Should there be a supplier of last resort? Who should provide this service?
2. Should transportation service be offered to all classes of customers?
3. Should backup or no-notice service be offered for firm transportation customers?
4. Should there be distribution system access limitations imposed on transportation customer's who fail to secure firm supplies or backup service?
5. During critical need situations should transportation customers' gas be made available to the LDC?
6. Can a transportation customers' gas be curtailed even if they demonstrate their gas arrived at the city gate?
7. Should "essential human needs" customers be required to contract for standby service?
8. Should customer's have the ability to combine unbundled and bundled services?
9. Should there be a waiting period for transportation customers wanting to return to bundled service?
10. No proposed revision.

Balancing

11. Should there be a period(s) when transportation customers can balance deliveries into and out of the utility's system?
12. Should the issuance of Operation Flow Orders and the imposition of special volume conditions and/or balancing provisions in case of system emergencies and capacity constraints be permitted?

13. Should penalties be permitted when a customer fails to balance deliveries and withdrawals within an established timeframe?
14. Should there be a tolerance range for purposes of setting the threshold before an Operational Flow Order is issued?
15. No proposed revision.
16. Should there be metering requirements on the transportation customers to ensure they remain in balance with the pipeline?
17. Should metering requirements vary by customer?
18. Should the following system management provisions be instituted?
 - hourly flow limitations
 - mid-day nominations
 - no-notice service
 - monthly cash out provisions
 - transportation nomination rules
 - delivery point allocation rules

Aggregation

19. Should aggregation tariffs be required?
20. No proposed revision.

Marketers and Affiliated Marketers

21. Should there be penalties for marketers' daily over or under deliveries?
22. Should eligibility policies/standards be established to evaluate potential marketers?
23. No proposed revision.

Stranded Investment

24. Should transportation customers be required to take capacity held by the LDC?
25. Should marketers be required to pay the maximum rate for capacity held by an LDC?

26. Should gas customers be required to pay an exit fee when a customer chooses to use third party capacity?

27. No proposed revision.

28. Should temporary Capacity Realignment Adjustments be permitted to recoup stranded capacity costs?

Other Issues

29. Should meter reading, billing and collection services be unbundled?

30. No proposed revision.

Attachment 2
Proposed Additions to Staff's Gas Unbundling Issues List
Associated Gas Distributors of Florida
Docket No. 960725 - GU
July 23, 1996

1. Should LDC's be permitted to stream gas on a competitive basis using a negotiated rate?
2. Should LDC's be permitted to establish non-performance penalties to be levied on suppliers, marketers or brokers who create imbalance situations for the LDC ?
3. Should the Legislature (or perhaps PSC) set requirements for financial capability of suppliers, marketers and brokers ?
4. Should the Legislature give the PSC authority to pre - qualify suppliers, marketers and brokers?
5. Should large customers simply be deregulated?
6. What issues are involved with total deregulation; cost allocation, tax collection and remittance, conflict resolution etc.?
7. Should the PSC use a different, lighter - handed regulation for small LDC's as they move to unbundle services and to increase transportation?
8. Which dollars would flow to PGA customers, and which services would remain subject to the PGA?
9. Who is responsible for tax collection and remittance, who is responsible for bad debts and collection costs, etc.?
10. Should the PSC permit greater discretion to LDC's in setting rates for commercial and industrial customers?
11. Should the Legislature equalize tax levies on all suppliers?
12. Should the PSC allow LDC's greater flexibility in setting unbundled transportation rates?

13. Should the LDC's have the discretion to bill the customer in one of two ways?
 - a. Company bills distribution and commodity components.
 - b. Company bills distribution component, supplier bills commodity component.
14. Should aggregators become the customer of the LDC, rather than the individual customers whose loads are begin aggregated?
15. Should each LDC have the discretion to set threshold volumetric requirements for transportation or for aggregation of customer loads for transportation?
16. Should the PSC adjust rates to parity before requiring further unbundling of LDC's?
18. Who is responsible for the costs of educating customers about transportation; LDC's, marketers, state government?
19. Should LDC's be permitted to recover costs of educating customers, if they are required to perform that service?
20. 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? How are imbalances handled and who has financial responsibility to whom?

CERTIFICATE OF SERVICE

Docket No. 960725-GU

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served by U.S. Mail this 23rd day of July, 1996, on the following:

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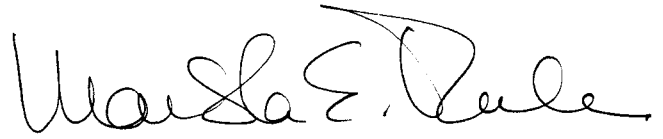
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A handwritten signature in cursive script that reads "Marsha E. Rule". The signature is written in black ink and is positioned above a horizontal line.

Marsha E. Rule