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Public Service Commission  
Division of Records and Reporting  
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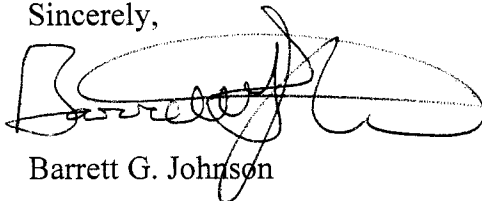
RE: Docket No.: 960725-GU

Dear Madam/Sir:

Enclosed for filing in the above-referenced proceeding is the CNB Olympic Gas Services' Comments on Issues Addressed at First Unbundling Workshop.

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

Sincerely,



Barrett G. Johnson

BGJ/rja  
Enclosures

- ACK \_\_\_\_\_
- AFA \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- DMU \_\_\_\_\_
- DTR \_\_\_\_\_
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- SEC 1 \_\_\_\_\_
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BEFORE THE PUBLIC SERVICE COMMISSION

In Re: Unbundling of Natural )  
Gas Services. )

Docket No. 960725-GU  
Filed October 9, 1996

CNB OLYMPIC GAS SERVICES'  
COMMENTS ON ISSUES ADDRESSED AT FIRST UNBUNDLING WORKSHOP

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

Yes. By default, and to the extent the LDC is a monopoly serving its customers, it is burdened with the "supplier of last resort" role. The LDC is entitled to appropriate compensation for providing this service. It is therefore important that the "true" cost of this service be discovered.

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

Yes. The market will not convert to transportation overnight. Customer choice and the efficient application of services that are associated with their true costs is the objective. Limits on conversion should be market driven and not LDC dictated. This will allow all customer classes to benefit from competition as soon as possible.

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

Unbundled service must be comparable to bundled service. The LDC must be required to ensure that all services currently enjoyed by its sales customers be made available to comparable transportation customers. These services could be provided by competitive suppliers.

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

Penalty provisions, equal to that for unauthorized usage on the upstream pipeline, should apply instead of relieving the obligation to serve.

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

No. In a competitive market gas is for sale. If the LDC needs gas it can purchase gas on the open market to cover its critical needs.

6. Should the 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?

No.

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

Unbundled service must be comparable to bundled service. If a current sales customer is not burdened with a requirement to contract for a service (associated with its "true" cost) then neither should the comparable transportation customer. These services could be

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

No.

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

Yes.

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

If it is six months or less, yes.

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

Yes.

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

Yes. This will allow efficiency of scale to enter the market place.

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. If it can be recalled, the firm service offered by marketers will not be comparable to an LDC firm service. Capacity should only be recallable to the extent an assignee fails to meet its delivery obligations.

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

Aggregators (marketers) will act as customers have traditionally and will no doubt become a new category of LDC customer.

30. Do LDC's tell suppliers, marketers, and brokers how much gas to deliver into LDC's system for aggregation customers, or do the supplier marketers, and brokers tell the LDC how much gas they are delivering? (a) How are imbalances handled and (b) who has financial responsibility?

New relationships between the various parties will develop and their respective responsibilities will vary. Flexibility on the part of those serving (LDCs and customers' agents) will be necessary to satisfy a wide range of customer category and customer choice.

provided by competitive suppliers.

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

Only during a transition to an unbundled environment. Otherwise, no.

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

No. This allows the LDC an unfair competitive advantage than marketers. Streamed sales is an effective tool used by an LDC to limit competition behind the citygate. It allows the real cost of streamed supply and capacity to be subsidized by the customers not participating in the transaction. The best way to ensure that an LDC receives the greatest (in the market) value for capacity and gas supply is to expose those commodities and services to the rigors of the marketplace through separation and unbundling. Regulation is needed to protect consumers from monopoly abuse. It should not shield a monopoly from the forces of a competitive arena. There is no substitution for complete separation and the efficiencies of a competitive marketplace.

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

Yes. This will allow all LDC customers to take advantage of unbundling. Customer choice is an objective. The efficient application of services that are associated with their "true" costs is best determined by market forces. Limits on conversion should be market driven and not LDC dictated.

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

Rate certainty is essential if unbundling is to achieve its objective. Nothing in a transportation rate should vary unless it also varies for the comparable sales customer. If an LDC is able to change rates, suppliers are denied the ability to fix rebundled costs and then customers might unnecessarily shy away from these services.

Negotiated service arrangements would allow for preferential treatment. Equal treatment is a linchpin of unbundling and open access. If one supplier (perhaps the LDC affiliate) has the ability to negotiate a better deal on services for transportation customers, the market will be won by those who have better connections to the monopoly provider of services and not by those who selling the better product in the competitive marketplace. When a legitimate exception occurs such as an economically viable bypass, a filed and approved Tariff rider should be required. All suppliers should be able to compete for these markets and those riders should not be linked to sales contracts with the LDC or its affiliate.

**Imbalances and any financial responsibilities will be determined by the final unbundling structure implemented.**

- 31. Should aggregators be able to order transportation service by phone or simply ask their agents to take care of the details of arranging service?**

**Choosing transportation services and appointing an agent should be no more difficult than choosing sales service -- anything less is an impediment. Provided that authorization is verifiable, LDCs should allow customer's authorized agent do act as "customer" on all matters.**

- 32. Should aggregators be afforded the same load management tools used by the LDC in its capacity as supplier of unbundled sales service:**

- Hold the upstream capacity of their customers, if asked to do so**
- Receive and pay their customer's transportation bills**
- Balance all their customers' usage as one pool**
- Choose to have all LDC penalties and operational orders direct at their pools, rather than their customers**
- Aggregate any collection of customers**
- Aggregate upstream capacity for the purpose of submitting one city gate nomination for their customers**

**Yes. There should be no material difference, in principle, between the designated supplier's or aggregator's ability to preform its unbundled service and the LDC's ability as supplier of bundled sales service.**

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 Olympic Gas Services' Comments on Issues Addressed at First Unbundling Workshop has been furnished to the following parties of record by U.S. Mail this 9th day of October, 1996.

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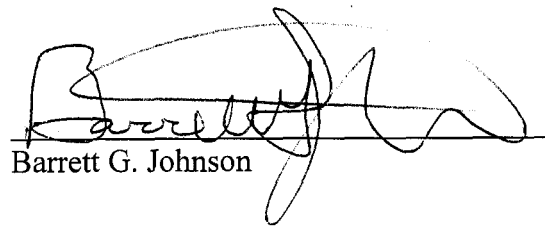


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