

TAMAR INNS, INC.

9840 INTERNATIONAL DRIVE
ORLANDO, FLORIDA 32819

October 22, 1996

AMERICA'S BEST LODGING VALUE

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

Dear Ms. Bayo:

Tamar Inns, Inc., is an Orlando based hotel company with six hotels and a total of 5,000 rooms located in the Orlando area. Tamar Inns also has interests in other tourist related businesses within the Greater Orlando area. Tamar and its interests estimate an immediate demand for gas to be over 100,000 dekatherms per year.

With the advent of the unbundling of traditional utility services by the commission, Tamar has been in negotiations with Natural Gas Services (NGS), the marketing affiliate of NUI Corporation, located in Bedminster, NJ., to secure gas supplies for its properties that qualify for transportation service. It is our goal to access more competitively priced gas supplies than the single source that has historically been available to us, Peoples Gas System. It is our understanding that deregulation of the gas utility industry allows for companies, such as Natural Gas Services to enter Peoples Gas franchise areas and to supply business customers such as ourselves.

The initial analysis, based upon our historical consumption figures, suggested that gas could be purchased and transported to our facilities at significantly less than what we had historically been paying and also at market prices which are competitive in other areas of the country. At that point we authorized Natural Gas Services to explore this option for us. It is my understanding that the gas would be purchased from sources other than Peoples Gas. The combination of cheaper supply, transportation costs and the elimination of some taxes would be the area where a significant portion of the savings would occur.

We recently contacted Peoples Gas to notify them of our intention to transport our supply. We received three contracts necessary for aggregation service from them. Two of the three agreements were between NGS and Peoples so we sent a set of copies to NGS. NGS reviewed them and informed us that they had issues with some of the requirements being imposed upon them as a supplier, most notably within the capacity release agreement. The agreement requires NGS to acquire FTS 2 capacity at the maximum rate and utilize it for Peoples customers. The revised pricing to Tamar based on the new requirements increases the price of gas significantly. With these higher costs, essentially whatever benefits we hope to achieve are now negated. We believe that Peoples Gas is using their rights under Section 11 to allocate the highest asset costs to the larger volume customers and not requiring the entire customers base to pay its fair share.

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We feel strongly that Peoples Gas is not participating in the unbundling process in good faith and that competition is not being allowed to have the desired effect on the marketplace. Peoples is attempting to prevent marketing companies from making headroads into their territory with onerous rules and requirements.

We would like to formally object to the tactics used by Peoples Gas and respectfully request that the PFC support deregulation and encourage competition on an even playfield.

Sincerely,



Garritt Toohey
Vice President
TAMAR INNS, INC.

GT*mw

cc: Harris Rosen, President, Tamar Inns, Inc.
Frank Santos, Chief Financial Officer, Tamar Inns, Inc.