

State of Florida

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DIVISION OF LEGAL SERVICES
NOREEN S. DAVIS
DIRECTOR
(904) 413-6199

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Public Service Commission

November 1, 1996

Mr. Ansley Watson, Esquire
Macfarlane Ferguson & McMullen
Post Office Box 1531
Tampa, Florida 33601

Mr. Dan Pountney, Senior V.P./Marketing
Peoples Gas System, Inc.
Post Office Box 2562
Tampa, Florida 33601

RE: Docket No. 960725-GU - Unbundling of Natural Gas Services.

Dear Sirs:

Attached please find a copy of a letter filed in this docket from Mr. Garritt Toohey, Vice-President of Tamar Inns.

Staff is particularly concerned about some of the allegations set forth in the fourth paragraph of Mr. Toohey's letter. We would like to offer Peoples Gas the opportunity to respond to this letter by reciting the circumstances of its dealings with Tamar Inns, explaining the requirements imposed by the capacity release agreement, and stating whether the requirements contained within the agreement are standard for all of Peoples' capacity release agreements.

Staff believes that the issues addressed in the letter from Mr. Toohey are issues which are of utmost concern as the Commission moves forward with the unbundling of natural gas services.

CK Staff also believes that, perhaps, Peoples' explanation of this situation may help staff to identify
FA previously unforeseen issues that should be considered.

PP We appreciate your prompt attention to this matter and look forward to your response before
AF December 9, 1996.

MU

TT

AF

EG

IN

BC/js

Enclosure

cc: All Parties

CHeryl Bulecza-Banks

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BLVD • TALLAHASSEE, FL 32399-0850

An Affirmative Action/Equal Opportunity Employer

Sincerely,

Beth Culpepper

Beth Culpepper
Staff Counsel

DOCUMENT NUMBER-DATE

11706 NOV-1 1996

Internet E-mail: CONTACT@PSC.STATE.FL.US
PSC-RECORDS/REPORTING

TAMAR INNS, INC.

9840 INTERNATIONAL DRIVE
ORLANDO, FLORIDA 32819

October 22, 1996

AMERICA'S BEST LODGING VALUE

96 OCT 28 PM 1:07
MAIL ROOM

ORIGINAL
FILE COPY

960725

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.

DOCUMENT NUMBER-DATE
1149 OCT 28 96

Quality Inn International 7600 International Dr. Orlando, FL 32819 (407) 351-1600 Fax (407) 352-5328	International Inn 6327 International Dr. Orlando, FL 32819 (407) 351-4444 Fax (407) 352-5806	Quality Inn Plaza 9000 International Dr. Orlando, FL 32819 (407) 345-8585 Fax (407) 352-6839	Comfort Inn L.B.V. 8442 Palm Parkway Lake Buena Vista, FL 32836 (407) 239-7300 Fax (407) 239-7740	Clarion Plaza 9700 International Dr. Orlando, FL 32819 (407) 352-9700 Fax (407) 351-9111	Omni Rosen 9840 International Dr. Orlando, FL 32819 (407) 354-9840 Fax (407) 351-2659
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Ms. Blanca Bayo
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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.