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INDIANTOWN Gas company, inc.

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January 16, 1997

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

Re: Docket No. 960725-GU

Dear Ms. Bayo:

Enclosed are an original and fifteen copies of Indiantown Gas Company's Responses to Issues in the Second Workshop for Docket 960725-GU.

Thank you for your assistance in this matter.

Sincerely,

Brian J Powers
General Manager
Indiantown Gas Co.

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INDIANTOWN GAS COMPANY
RESPONSES FOR SECOND WORKSHOP
UNBUNDLING NATURAL GAS SERVICE
DOCKET 960725-GU

BALANCING

16. Should the LDC be required to file balancing tariffs that establish a period when transportation customers can balance deliveries into and out of the utility's system?

The company should not be required to file balancing tariffs. While each company will want to develop guidelines for keeping its system in balance, each must be given considerable discretion in doing so. With only twelve miles of pipe and one city gate station, IGC cannot afford the same degree of flexibility on its system as larger utilities.

17. Should the LDC be allowed to issue Operational Flow Orders and impose special volume conditions and/or balancing provisions in case of system emergencies and capacity constraints?

Yes. Due to the limited size of the IGC system, the use of OFO's would be imperative to system integrity. Further, IGC would require a more narrow tolerance than most other utilities to keep its system in balance.

18. Should the LDC be allowed to impose penalties when a customer fails to balance deliveries and withdrawals within an established time frame?

Yes. Penalties are a tool that the LDC should be allowed to use as a last resort in keeping system integrity.

19. Should the LDC be required to institute a tolerance range for purposes of setting the threshold before an Operational Flow Order is issued?

No. Especially in smaller LDC's, there should not be a tolerance range for issuing OFO's. If a tolerance range were required, it would be very narrow on IGC's system. This would put the company in a position of issuing OFO's constantly and would not be good for either the customer or the company.

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20. Should balancing obligations, costs and penalties be based on a "no harm/no foul" principle?

No. This will lead to an inefficient use of the system as customers become reliant on this approach. For example, a customer might be out of balance by the same amount for two consecutive days and may incur no penalty on the first day and be penalized on the second due to a system alert condition.

21. Should the LDC be allowed to impose metering requirements on the transportation customers to ensure the LDC remains in balance with the pipeline?

Yes. Since the LDC does not own the gas entering its system, it must rely on telemetry to keep its system in balance with the pipeline on a daily basis.

22. Should the LDC be allowed to vary the metering requirements between classes?

Yes. Telemetry will play a major role in unbundling. However, it is not feasible to require all classes of customers to obtain this technology as a condition of unbundled service. At a minimum the large industrial and large commercial users should be required to install telemetry as consumption in these classes can have a major impact on system integrity.

23. Should the LDC be required to institute:

- hourly flow limitations
- mid-day nominations
- no-notice service
- monthly cash-out provisions
- transportation nomination rules
- delivery point allocation rules

No. The LDC should not be <u>required</u> to implement all of the above provisions. In the case of no-notice service, IGC doesn't have extra capacity on the system and cannot provide this service using its own line pack. The other provisions will be decided by the LDC's when tariffs are filed but there should be discretion in the requirements to account for the differences between LDC systems.

24. 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?

Yes. This must be permitted to ensure the responsible use of the LDC system.

25. Should each LDC have the discretion to establish nomination and balancing procedures? If so, should third party suppliers be required to abide by these procedures?

Yes. Each LDC should have the discretion to establish procedures appropriate for its operation. All suppliers should be required to follow the LDC procedures.

26. Should shippers erring on the side of caution and being out of tolerance in the "right" direction and that "help" the LDC's system during operational controls be rewarded?

No. Shippers should strive to remain in balance on the LDC system and should not be rewarded for being out of balance even if it is in the "right " direction.

MARKETERS AND AFFILIATED MARKETERS

33. Should the LDC's be allowed to charge marketers penalties for any daily over or under deliveries?

Yes.

34. Should the LDC be required to develop eligibility policies/standards to evaluate potential marketers?

No. The LDC should not be required to implement eligibility standards but will most likely elect to do so as part of its transportation management plan.

35. Should the Commission initiate rule-making to establish guidelines for utilities with marketing affiliates?

No. The Commission should study the effects of unbundling on the natural gas market in Florida. Should problems arise, the Commission could establish guidelines aimed at addressing specific problems rather than creating general guidelines for problems that do not exist at this time.

36. Should the LDC's be able to establish creditworthiness standards to ensure the financial capability of suppliers, marketers, and brokers?

Yes. It will be necessary for LDC's to establish creditworthiness standards for suppliers, marketers, and brokers.

STRANDED INVESTMENT

37. Should the LDC be allowed to require transportation customers to take capacity held by the LDC?

Yes. Since the LDC's were required to make long term capacity commitments for their customers, they should not have to hold this capacity if the customer decides to buy gas from another supplier. This capacity was reserved specifically for the customer of the LDC. Therefore, if the customer doesn't take the capacity with them, the capacity must be added to the costs of the remaining system sales customers. This will create a death-spiral effect that drives more customers off system and drives costs up further.

38. Should the LDC be allowed to require marketers to pay the maximum rate for capacity purchased from an LDC?

Suppliers who take capacity to serve an existing sales customer should take said capacity at the rate paid by the LDC for the capacity. Allowing suppliers to take capacity at a discounted rate would only create difficulties as described in the previous question.

39. Should the LDC be allowed to require an exit fee payment when a customer chooses to use third party capacity?

An exit fee would not be necessary if customers who choose to leave the system take their capacity with them. Should the Commission not require customers to take their capacity with them, then a transition cost recovery mechanism charged to all transportation customers would be the most equitable distribution of these costs.

40. Should the LDC be required to make permanent relinquishments of unneeded capacity at maximum rates to lessen stranded capacity costs?

Currently, IGC has no unneeded capacity on its system. Since pipeline capacity is currently priced at a discount to the maximum rate, an LDC could not relinquish capacity at maximum rates. A definition of the word "unneeded" is required to adequately answer this question since capacity is contracted for based on the LDC's peak day.

41. Should the LDC be allowed to institute a temporary Capacity Realignment Adjustment to recoup the LDC's stranded capacity costs?

Yes. A Capacity Realignment Adjustment would keep system sales customers from paying the stranded cost burden created by customers leaving the system.

42. Should LDC's require interruptible customers to pick up released firm FGT capacity from the native LDC as a prerequisite to transportation service?

Yes. If the LDC was using firm capacity to serve the interruptible customer, then the customer should take the capacity with them as if they are a sales customer.