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February 3, 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
Unbundling of Natural Gas Services

Dear Ms. Bayo:

Enclosed for filing in the above docket are an original and 15 copies of City Gas Company of Florida's Responses to issues discussed at the Unbundling Workshop held on December 12 - 13, 1996.

Sincerely,

Michael A. Palecki

Michael A. Palecki
Vice President of Regulatory Affairs

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CITY GAS COMPANY OF FLORIDA RESPONSES FOR
FLORIDA PUBLIC SERVICE COMMISSION
NATURAL GAS UNBUNDLING
DOCKET NO. 960725-GU
STAFF WORKSHOP #3
DECEMBER 12-13, 1996

BILLING AND RATES

Q43. Which dollars would flow to PGA customers, and which services would remain subject to the PGA?

A. Traditional sales service, standby service, and balancing service and any temporarily unused capacity and the costs of any capacity that is marketed other than maximum rates should remain subject to the PGA or other cost recovery mechanism that the utility is unable to market in the secondary market. To the extent that the LDCs are able to compete for commodity sales, the LDCs should design a separate supply portfolio which would not be part of the PGA.

Q44. Should the LDCs have the discretion to bill the customer in one of two ways: (a) Company bills distribution and commodity components, (b) Company bill distribution component, supplier bills commodity component?

A. Yes. The LDC should be permitted to bill both the transportation and the commodity or it should be able to bill only the utility transportation portion. In addition, the LDC should bill any balancing and/or penalty charges that are incurred by either the customer or the third party supplier.

Utility billing is a competitive service that the marketer can contract with from the utility or a third party, or elect to bill themselves, or even have a billing service handle their accounts.

Q45. Should the PSC adjust rates to parity before requiring further unbundling of LDCs?

A. City Gas, in its recently completed rate case, has essentially adjusted its rates to parity using the FPSC cost of service methodology. However, the Company does not see this issue from a traditional rate base rate of return perspective. Rather, the Company believes that the rates within the various service classes should not exceed the parity price of customers' alternate energy sources. As noted by the attorney for the industrial customers' group in the first workshop, even residential customers have a choice. If the LDC's gas price is too high, they can switch to all electricity. City Gas has lost commercial customers to propane dealers who have offered various incentives. The Company also lost its largest customer, approximately two years ago, to coal. Therefore, while cross-subsidization is an important issue, competition from other energy sources has been more of an issue for City Gas. Therefore, if the Company is unable to effectively compete in alternate fuel markets, the impact of larger customers choosing other options may eventually lead to erosion of the core market, as well as the increased use of electricity in Florida.

OTHER ISSUES

Q46. Should the LDC be required to unbundle meter reading, billing, and collection service?

A. No. There are a number of safety issues associated with meter reading and billing. The complexities involved in the administration of unbundled natural gas services (commodity and capacity service) have not yet been realized. It is premature to unbundle beyond that level at this point.

Q47. Should the LDC be required to file unbundled tariffs within 90 days of the issuance of a Commission Order on unbundling?

A. The timeframe should be determined based on the level of detail required by the FPSC guidelines. It is premature to agree or disagree with any specific timeframe.

Q48. Who is responsible for tax collection remittance, who is responsible for bad debts and collections, etc.?

A. Taxes should be collected and remitted by the entity which is assessed the tax. Bad debts have been part of the utility cost of service and, as long as the LDC base rates are regulated, the LDC portion of bad debts should continue to be part of cost of service. Social costs including economic development, rates, demand side management, and conservation programs, are an issue that the State, whether it is the FPSC or another agency, must clearly articulate what the utility's role should be with regard to recovery of such program costs. Clearly, the utility should not be solely burdened with such costs if they render the utility un-competitive with alternate suppliers in competitive markets or alternate types of energy.

Q49. Who is responsible for the costs of educating customers about transportation; LDCs, marketers, state government?

A. Regardless of who is responsible for the costs of educating customers, the cost of education is ultimately going to be borne by the customers whether it is through natural gas prices or taxes. Generally, parties that benefit from unbundled services should pay for the education.

Q50. Should LDCs be permitted to recover costs of educating customers, if they are required to perform that service?

A. Yes. As long as the LDC base rates are regulated, the cost of education should be part of the LDC's cost of service.

Q51. Should the FERC Gas Tariff of Florida Gas Transmission (FGT) be used as an unbundled tariff model?

A. No. As the FPSC develops their policy regarding unbundling and issues guidelines, LDC's tariffs should be developed to address issues faced by the Florida LDCs. Issues faced by LDCs can be significantly different than interstate pipelines.

Q52. Should the LDCs start-up issues allow for implementation of procedural requirements (such as paperwork, metering, initial eligibility limitations, access fees, and mandatory agreements) if they act as barriers to service?

A. A barrier is in the eye of the beholder. What one party may perceive as a barrier may not be regarded similarly by another party. Generally, the LDCs should not create artificial barriers, however, certain procedures must be in place for example to insure nominations, confirmation, and balancing of third party deliveries.

Q53. Should supplier's competitively sensitive information, such as upstream contracts, remain confidential?

A. To the extent contract data is needed to schedule and confirm gas deliveries, contract data should not remain confidential. Pricing of commodities should remain confidential for both the Company and the third party supplier.

Q54. Should LDC unbundled rates be held confidential to prevent the marketer/broker a competitive advantage?

A. To the extent that services are provided pursuant to an LDC tariff with published rates, these services should remain public. If the LDC is permitted to provide competitive services, than the price should remain confidential.

Q55. What types of alternative regulation of unbundled rates should take place to allow unbundled service to "stand alone" from continued regulation of bundled customer services?

A. There have been a number of performance based mechanisms proposed by utilities across the country. However, it is important to recognize that Florida is in a state of transition in which many LDCs have contracted for capacity costs through the year 2001. Until such contracts can be realigned, it is important to see that costs are allocated among all classes of customers in an equitable manner.

Q56. Should the commission mandate intensive technical conferences on each LDC's unbundling proposal: involving all interested parties?

A. The FPSC has a tariff approval process in place which protects the interests of all parties and, therefore, a technical conference is not necessary.

Q57. Should there be mandatory review of unbundled tariffs: Should there be a plan to come back and fine-tune tariffs implemented?

A. Nothing should be mandated at this time. However, City Gas expects to modify its tariffs after they have been in place for a sufficient amount of time to demonstrate their strength and address any shortcomings.

Q58. Should the large customers simply be deregulated?

A. No, not initially, at least until the Company has the opportunity to realign its supply and capacity portfolio. Customers, at that point, could be given the option to be deregulated. Until that time, the issues that are critical in this proceeding need to be dealt with in this transition period. However, LDCs must have flexibility when customers demonstrate competitive alternatives.

Q59. What issues are involved with total deregulation, cost allocation, tax collection and remittance, conflict resolution, etc.?

A. Some of the more significant issues involve safety, uneconomical duplication of facilities, and in this transition period, the costs of supply and interstate pipeline service realignment.

Q60. Should the PSC use a different, lighterhanded regulation for small LDCs as they move to unbundled services and to increase transportation?

A. Yes.

Q61. Should the PSC permit greater discretion to LDCs in setting rates for commercial and industrial rates?

A. Yes, to the extent that a customer demonstrates a viable alternative, the FPSC should allow greater flexibility.

Q62. Should the PSC allow LDCs greater flexibility in setting unbundled transportation rates?

A. During a transition period, the FPSC should require that supply realignment costs are equitably allocated to all classes of customers.

Q63. Should the Legislature equalize tax levies on all suppliers?

A. Taxes should not create an unlevel playing field. However, the Company is concerned with any additional taxes if they could affect the Company's ability to compete with alternate energy costs.

Q64. Should municipals with their different state and federal tax treatments, be scrutinized when acting as a marketer outside of their municipal territory and competing with unbundled, FPSC-regulated LDC market affiliates and independent natural gas marketers?

A. No position.

Q65. Should the Legislature (or perhaps the PSC) set requirements for financial capability of suppliers, marketers, and brokers?

A. Each LDC should be able to establish financial capability and creditworthiness standards as a condition of a service between the LDC and the marketer.

Q66. Should the Legislature give the PSC authority to pre-qualify suppliers, marketers, and brokers?

A. The Company does not believe it is necessary for the FPSC to pre-qualify suppliers, marketers, and brokers. As stated in No. 65, financial capability and creditworthiness standards should be a condition of the tariff or third party supplier service agreement with the LDC.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Unbundling of Natural Gas Services)	Docket No. 960725-GU
	Filed: February 4, 1997

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of City Gas Company of Florida's Responses to Issues Discussed at the December 12-13, 1996 Florida Publice Service Commission's Unbundling Workshop have been furnished by hand-delivery (*) or by U.S. Mail to the following individuals, on this 4th day of February, 1997:

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