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February 28, 1997

Ms. Blanca Bayo, Director
Division of Records and Reporting
Room 110, Easley Building
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

BY HAND DELIVERY

Re: Docket No. 960725-GU

Dear Ms. Bayo:

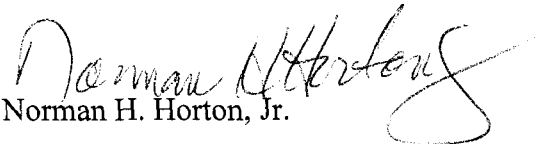
Enclosed for filing in the captioned docket is the response of West Florida Natural Gas to a recent memorandum from Mr. Wayne Makin. Copies are being furnished to parties of record.

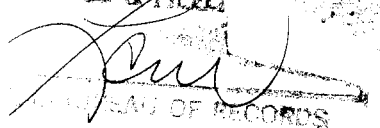
Please indicate receipt of this document by stamping the enclosed extra copy of this letter.

Thank you for your assistance in this matter.

ACK _____
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CMU _____
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EAG NHH:amb _____
LEG Enclosures _____
LIN cc: Mr. Jeff Householder _____
OPC _____
RCH _____
SEC 1 _____
WAS _____

Sincerely,


Norman H. Horton, Jr.

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**West Florida
Natural Gas Co.**
"energy for all seasons"

Caller Box 1460
301 Maple Avenue
Panama City, FL 32402
(904) 872-6100
FAX (904) 872-6190

J.E. McIntyre
President

February 20, 1997

Wayne Makin
Bureau of Gas Regulation
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0872

Dear Mr. Makin:

West Florida Natural Gas offers the following comments in response to your question:

Should the Commission proceed to further direct the LDC's to unbundle natural gas services?

West Florida is philosophically committed to providing an expanded level of unbundled transportation service opportunities to our customers. We believe that unbundling at the distribution level is a reasonable extension of the regulatory restructuring that has already occurred in the production and transmission segments of the industry. It is our long-term view that all customers on our system will ultimately be served through a combination of regulated transportation tariffs and deregulated service contracts.

We support the Commission's efforts to provide a framework to guide the continued unbundling activities of Florida utilities. Clearly, there are numerous fundamental issues which must be addressed to ensure a rational transition to unbundled service. Many of these issues were raised by the AGDF member companies during the recent series of staff workshops. The workshops, in our opinion, have provided an excellent forum to identify and discuss both the

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collective industry concerns as well as the issues specific to individual companies.

All of the LDC's provided comments during the workshops that reflected a common central concern. The need to recognize each utility's unique situation and allow sufficient flexibility to design unbundling plans on an individualized basis was strongly recommended by all AGDF members. West Florida shares the concerns raised by Peoples Gas in its comments submitted after Workshop Number Three. The inequality of the current tax levy, the concern with stranded capacity costs, the use of less reliable capacity by marketers, the cost shifting among rate classes and the difficulties inherent in the present purchased gas adjustment mechanism are all significant issues of great concern to West Florida Gas.

However, in spite of these and related concerns we are interested in pursuing both the expansion and realignment of our unbundled transportation service offerings. In our view, many of the unbundling issues facing our company are best addressed during a transitional phase that includes actual customer experience. Our current experience with large industrial customers has identified several needed adjustments in our tariffs and administrative procedures. We are very interested in rapidly gaining similar experience with smaller customers, especially on an aggregated basis.

As noted during the workshops, we have been planning for some time to file a number of revisions to our existing transportation tariffs and transportation service contracts. The revisions are intended to address a variety of technical issues such as balancing and nomination procedures. In addition to the technical adjustments, we also planned to file reduced eligibility thresholds for commercial customers, a limited aggregation program, several system management tools, and a mechanism for allocating reserved capacity costs that rationally distributes those costs among all users. The workshop process has provided an invaluable opportunity for us to gain important unbundling insights from staff, other LDC's and marketing firms. We have withheld our tariff filings in anticipation of the conclusion of this docket.

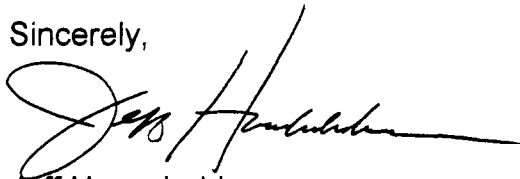
Frankly, it was our expectation that the Commission would establish parameters to guide LDC's in their future unbundling efforts. It was also our hope that these parameters would recognize the diversity among Florida LDC's, and not attempt to dictate industry-wide procedures in a "one size fits all" format. From our company's perspective, we have no objection to the Commission continuing to pursue the development of a regulatory oversight process that generally directs the scope and timing of further unbundling. Clearly, unbundling will be an evolutionary process that will undergo numerous changes over the next several years. It is appropriate that the Commission play a central role in defining operational parameters for unbundling that provide a measure of

standardization, while allowing each company sufficient leeway to proceed in a manner that will benefit its ratepayers.

We recognize that our corporate objectives and particular situation may be somewhat different than many of the other Florida companies. As stated above, we want to proceed with providing further unbundled transportation opportunities to our customers. Regardless the course of action the Commission decides to take on this docket, we hope that our company will not experience undue delays or be precluded from pursuing additional unbundling.

Please let me know if you need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Householder", with a long horizontal flourish extending to the right.

Jeff Householder
Vice President