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April 21, 1999

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RECORDS AND REPORTING

VIA HAND DELIVERY

Blanca S. Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 960725-GU
Notice of Proposed Rule Development

Dear Ms. Bayo:

Enclosed on behalf of Chesapeake Utilities Corporation and Florida Public Utilities Company, are an original and fifteen (15) copies of their respective preliminary post-workshop comments.

Please acknowledge receipt of the foregoing by stamping the enclosed extra copy of this letter and returning same to my attention.

RECEIVED & FILED
[Signature]
FPSC BUREAU OF RECORDS

Sincerely,

Wayne Schiefelbein
Wayne L. Schiefelbein

WLS/ka

Enclosures

cc: Wayne Makin, Division of Electric and Gas
Mary Anne Helton, Division of Legal Services
Marc L. Schneidermann, Florida Public Utilities Co.
Thomas A. Geoffroy, Chesapeake Utilities Corporation
Docket Mailing List
(all w/encl.)

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Post Office Box 3395
West Palm Beach, FL 33402-3395
April 20, 1999

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

**RE: Docket No. 960725-GU,
Propose Rule 25-7.0355, F.A.C., Transportation Service**

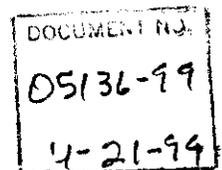
Dear Ms. Bayo:

Florida Public Utilities Company ("FPU") has been an active participant in the series of PSC Staff conducted workshops during 1996 and on March 24, 1999. We appreciate the opportunity to provide comments on the issues related to unbundling and the proposed rule. FPU agrees with the Staff that a "one size fits all" approach is not appropriate in this matter.

FPU has continually voiced its concerns associated with unbundling's extra costs, potential adverse effects on our residential class of customers, allocation of capacity, etc. The proposed rule, might benefit approximately 3,729 commercial accounts with the potential of causing significant harm to our 32,500 residential customers. FPU currently provides transportation services to nine (9) customers. There are also another nine (9) customers in the queue for transportation service within the next few months and a potential for an additional four (4) transportation service customers.

Certain other utility companies may stand ready to unbundle their commercial sectors either based on their activities in other unbundled states or based on their available resources to provide such services. Since FPU's operations are only located in Florida, we have not operated in an unbundled environment and do not have the necessary computer and data management systems in place.

Prior to the March 24, 1999 workshop, FPU had not received specific instructions from the Staff to construct an unbundling plan. If the Commission were to approve an unbundling rule, FPU could support a modified rule which allows utilities the option of filing a reasonable plan with the PSC, within one year from the date of the rule approval. This would assist in facilitating dialogue between each utility and the Staff so all concerns could be properly addressed. FPU understands the Staff's intentions are to move quickly, but we believe if unbundling of commercial customers is to occur, proper deployment of all related programs and tariffs must be carefully planned.



A few of the key issues which should be addressed prior to deployment of an unbundling plan and tariff should include, but not be limited to, the following:

- **Capacity:**
 - a) How will capacity be assigned?
 - b) Could a mechanism similar to the Purchased Gas Cost Recovery Mechanism for certain capacity costs be structured?

- **Recovery by Utilities of the extra costs of unbundling associated with:**
 - a) Increased staffing levels.
 - b) Purchasing software and hardware systems for unbundling.
 - c) Costs of determining and modeling each customer's load profile.
 - d) Costs of customer education and service.
 - e) Legal and administrative costs of rewriting a large portion of the Utility tariff.
 - f) Increased number of transactions and associated costs.
 - g) Costs for elections of suppliers.
 - h) Miscellaneous transition costs and other unidentified costs.

- **Reimbursement to Utilities for lost revenue due to marketer(s) actions:**
 - a) Potential short-term loss of revenue due to a marketer's gas not being scheduled.
 - b) Potential long-term loss of revenue due to customers discontinuing utility service due to dissatisfaction with marketers.

- **Balancing:**
 - a) Would the marketer become a customer of the Utility for the purpose of balancing?
 - b) Would the utility bill the marketer or the customer for imbalance charges?
 - c) Who would be responsible for balancing the account; the marketer, the utility or the customer?

- **Governmental Issues:**
 - a) Reduction in franchise fee revenue.
 - b) Reduction in Florida state sales tax revenue.
 - c) Reduction in gross receipts tax revenue.
 - d) Decrease in the PSC's regulatory assessment revenue.
 - e) What are the estimated regulatory costs as per section 120.541 of the Administrative Procedures Act?
 - f) Certification of marketers.

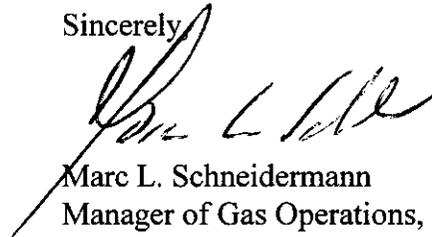
Ms. Blanca S. Bayo
April 20, 1999
Page 3 of 3

While FPU does not wish to stand in the way of the Staff's desires to effectuate unbundling of concurring utilities, we ask that FPU's concerns first be addressed. There are no rules presently which would prohibit utility companies from unbundling. Those companies wishing to unbundle could essentially unbundle quickly, if that meets their needs and the needs of their customers.

In order to move in the direction of extending transportation services to an increasing number of customers, FPU has been actively researching available customer service systems which could handle the increased requirements of unbundling. The initial one-time estimate on such an implemented system is approximately \$900,000 with an annual maintenance cost in excess of \$60,000. The costs associated with a new customer service system is only one element, though a significant element, of the landscape of incremental unbundling related expenses.

Expanding the availability of transportation service to an increasing number of accounts is a significant task and must be done properly. Florida Public Utilities Company is strongly advocating the time schedule be set to fit the task at hand. Again, if the Commission were to approve an unbundling rule, FPU could support a modified rule which allows utilities the option of filing a reasonable plan with the PSC, within one year from the date of the rule approval.

Sincerely



Marc L. Schneidermann
Manager of Gas Operations,
Engineering and Supply

cc: Mr. W.R. Makin, Division of Electric and Gas
Parties of Record

c:\..unbundbb.psc