



ORIGINAL

April 20, 1999

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

Re: Docket No. 960725-GU Proposed Rule 25-7.0355, F.A.C., Transportation Service

Dear Ms. Bayo:

As a follow up to the March 24, 1999 workshop regarding the above referenced rule, the Florida Division of Chesapeake Utilities Corporation ("CUC") is pleased to have the opportunity to provide comments regarding the proposed rule. In general, CUC supports the concept of allowing transportation services to those customers that can benefit from the service. CUC also recognizes that the national trend is for utilities to open up their systems and allow competition for the gas supply service to the customers.

The primary issue for CUC is that the perceived benefits to the class of customers that will have access to transportation services, as proposed by the rule, will have increased costs associated with the transition and implementation of the transportation services. While CUC has not endeavored to define what the costs are, they have the potential to offset most, if not all, of the perceived savings for the commercial customers. In addition, most of the perceived savings will likely come from the reductions obtained in the interstate pipeline capacity charges for service from Texas into the local service area of the customer. Conversion to transportation service will allow the customer to acquire a specific level of interstate capacity that suits their specific needs. Any capacity currently held by the utility for growth will then only be passed on to sales customers. All customers benefit from the growth of the distribution system and the addition of customers. Yet, the growth benefits result from the sales customer's subsidization of the transportation customers and should not be mandated through rulemaking by the Florida Public Service Commission.

CUC believes that implementing a transportation rule that allows each utility to define the parameters of transportation service that is appropriate for their customers is an appropriate direction for the Commission. CUC believes that for certain sized customers, offering transportation services is very necessary because these entities can and will

Central Florida Gas Company
A Division of Chesapeake Utilities Corporation

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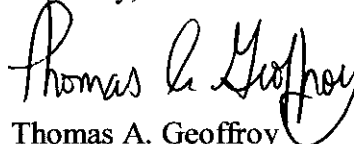
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demand such opportunities and if they do not receive this opportunity, they will relocate their business to a more favorable location. Each utility knows their customers well enough to define the usage level that will work for their customers and system. The proposed rule should take this into consideration and only require each utility to define their plan and implement it by a date certain.

On whole, CUC is supportive of offering transportation services to its customers. CUC is working on its plan to reduce the current threshold of 200,000 therms annually to a lower level and expects to file this plan, absent any rulemaking to the contrary, by the end of 1999. CUC believes that the new transportation service offering will accommodate all customers on its system that have demonstrated an interest in transportation services without unduly burdening the remaining sales customers.

Again, CUC thanks the Commission Staff for the opportunity to provide comments on the proposed rule and looks forward to working with Staff as this process moves forward.

Sincerely,



Thomas A. Geoffroy
Florida Regional Manager

Cc: Wayne Makin, Division of Electric and Gas
Parties of Record