BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the matter of:	DOCKET NO. 960725-GU
Proposed Rule 25-7.0335, F.A.C.	

PROCEEDINGS: RULE DEVELOPMENT WORKSHOP

BEFORE: CHAIRMAN JOE A. GARCIA
COMMISSIONER J. TERRY DEASON
COMMISSIONER SUSAN F. CLARK
COMMISSIONER E. LEON JACOBS, JR.

DATE: Wednesday, November 17, 1999

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I N D E X

P R O C E E D I N G S

CHAIRMAN GARCIA: Good morning. I assume that you all will be running this to some degree, so let's all take a seat and get started. Staff?

MS. HELTON: Pursuant to notice issued by the Commission on September the 23rd, 1999, and published in the Florida Administrative Weekly on October the 1st, 1999, this docket -- excuse me, this workshop in Docket No. 960725-GU was noticed. The purpose of the workshop is more fully set out in the notice.

I think that the next thing is to take appearances.

CHAIRMAN GARCIA: We'll take appearances.

MR. LORENZO: Good morning, Commissioners. My name is Jose Lorenzo. I'm representing the Energy Direct Program of the Florida Department of Management Services.

CHAIRMAN GARCIA: Jose Lorenzo?

MR. LORENZO: Jose Lorenzo, yes.

MR. BLAZER: Good morning. My name is Rich Blazer, with Infinite Energy, a marketer here, natural gas marketer.

MR. RICHARDS: Good morning. My name is Allan Richards. I'm with End Users Natural Gas

Company. We're a marketer in Florida as well.

CHAIRMAN GARCIA: Okay.

MR. SCHNEIDERMANN: Good morning. My name is Marc Schneidermann. I'm with Florida Public Utilities Company, a Florida LDC.

MR. SCHIEFELBEIN: Wayne Schiefelbein, attorney for Florida Public Utilities Company.

MR. PALECKI: Michael Palecki, with City Gas Company of Florida, a division of NUI Corporation. With me here today is Ray DeMoine, Director of Rates and Compliance with NUI Corporation.

MR. POWERS: Good morning, Commissioners. I'm Brian Powers from Indiantown Gas, one of your smaller LDCs.

MS. PENNINO: Mary Jo Pennino with Peoples Gas System.

MR. CALDWELL: Brent Caldwell with Peoples Gas System.

MS. McABEE: Myra McAbee.

CHAIRMAN GARCIA: Come to a mike.

MS. McABEE: Myra McAbee and Harriet Stubblefield with El Paso Merchant Energy, formerly Sonat Marketing Co. LP. We're a gas marketer.

MS. HELTON: Mary Anne Helton. I'm an attorney with the Commission Staff.

MR. MAKIN: Wayne Makin, Commission Staff.

MS. BANKS: Cheryl Banks, Commission Staff.

MR. BROWN: Shevie Brown, Commission Staff.

CHAIRMAN GARCIA: All right. Where do we go from here?

MR. MAKIN: We go from here -- Ms. Banks is going to give us an overview of where we've been and where we are, and I'll do a little overview on the issues to be addressed today.

CHAIRMAN GARCIA: Okay. Ms. Banks?

MS. BANKS: As most of the people in the room are aware, this docket has been open since 1996. We've been evaluating the merits of unbundling and whether that action should be taken by this Commission, whether it's cost-beneficial to do so, whether there's a benefit to the consumers for having this option available to them.

This docket was opened as a result of the FERC issuing FERC Order 636, in which the pipelines became common carriers and were no longer allowed to purchase gas supply. In turn, this opportunity was given to the LDCs to buy their own purchased gas, and they no longer had to buy it from the pipeline.

When we talk about unbundling, we're

essentially moving that level to be able to buy gas molecules to the end use customer.

Now, after the FERC issued Order 636, some of the LDCs had begun to offer transportation service. In fact, some of them had done so even prior to that order, because Order 436 permitted also an amount of unbundling available to the end use customer.

Many of the LDCs have offered transportation service to large customers since the late 1980s. It really took off in the '90s, and since then, they have slowly -- some of the utilities have started to offer to bring down their threshold somewhat to allow smaller customers to transport. But when I mean smaller, I'm not talking really small. I'm talking, instead of a Tropicana size or a big processing plant, maybe some middle size industrial.

What Staff has done over the years, we have held numerous workshops. We've looked at all the states' activities around the country, what problems they've encountered, what benefits they've encountered, what has transpired over time, what are the costs involved. And essentially we have concluded that in the State of Florida it would be beneficial to allow small commercial customers and larger the opportunity to pick their gas supply provider. We're not talking about anything to do with the distribution facilities that would solely still remain regulated and would be a service provided strictly by the municipality.

So that was our conclusions, and that is why at one point -- we've gone through several different modes. We actually issued a model transportation tariff for those utilities to give them an idea of what our expectations were.

In all the workshops, what was concluded from the Staff was that the utilities wanted flexibility. They didn't want a "one size fits all" program, because utilities are substantially different one from the other. So they wanted the flexibility to be able to structure their unbundling program so it would suit the company. Staff was amenable to that, and so when we decided to go to a rulemaking docket, as indicated by legal staff, since this would apply to all, that was the route we needed to go to, we drafted this rule and made it as flexible as possible so that the utilities had the opportunity to structure it as we would like.

The only element that we put in the rule that may be confining to them was that we wanted it open to all small commercial customers. The only class of customers that we did not include was residential, and the reason why is because we don't believe that in most circumstances it's cost-effective to do so. Now, in the rule, it doesn't preclude the utility from offering that service should it be cost-effective. There are some classes of residential that may -- it may be cost-effective if they use a large amount of gas.

Historically in Florida, the statistics show that we have the highest rates in the entire country for residential gas, and the reason why that is so is because it's the same amount of cost for the facilities. It's the same meter cost. Some of our permitting costs are more in certain pristine areas within the state. But we only use about a third of the gas they use up north. So when you're doing it on a per therm basis, our costs are -- as the table came out that I have from EIA, we are truly the highest cost state for residential gas.

Now, what happened is -- I mean, I would generally tell you, in my opinion, that it is not cost-effective to serve residential load generally in the State of Florida. That has been true in all the data that I've looked at, and it's because we just don't use that much, and you've got all that cost and infrastructure in place.

But what has been done over time is that the large customers have always generally subsidized the small commercial class, because socially, it has been the opinion that we should avail ourselves to have the utilities serve residential load, even though it may not be cost-effective to do so. In most cases, it is not. Over the years since I've been here, the residential class has actually produced a negative return in many circumstances, and some definitely lower than the overall rate of return, and the large customer classes, the industrial loads, have been significantly higher, some as high as 35% higher.

And historically, that's how Florida's gas market developed. You had a very large anchor load that the pipeline would be built to. But then the little spurs, as residential, commercial, small commercial wanted gas service, the utility had an obligation to expand.

And now that I went off on a total tangent, but just for informational purposes that I thought would be helpful to the Commission, that's an overview of what we have done to far in the docket.

MR. MAKIN: The way I would like to proceed is, I'll give just a very brief identification of the issues to be discussed, and then I would like to see all the parties make an opening statement, and then after that go to each particular issue and discuss that particular issue, if that's all right.

CHAIRMAN GARCIA: Okay.

MR. MAKIN: And the opening statements, no more than five minutes, the maximum. Okay?

CHAIRMAN GARCIA: All right.

MR. MAKIN: After many, many years of evaluating all the issues in the unbundling docket -- and we've been doing it for seven, ten years -- there are certain issues that are germane to everyone in this room.

One is the obligation to serve and the supplier of last resort. It has always been the Staff's position that the LDC should not be required to be the supplier of last resort. If we're going to unbundle, we're going to be big boys, and it's your responsibility to deal with the marketer. If the gas doesn't show up, that's your problem.

Of course, reality says that won't happen, because the LDC will not let their customers go without any natural gas whatsoever, simply because they would lose revenue also.

Stranded investment, Staff has always been under the opinion that the utilities are entitled to recover reasonable stranded investment. However, LDCs should avail themselves of the opportunity to reduce the amount of capacity they hold on FGT. We still are somewhat in the fog as far as it relates to excess capacity and why LDCs retain an excessive amount of this capacity.

Potential for slamming, we've been doing this for 13 years in the State of Florida, and not one case are we aware of of slamming. And the issue to be addressed here on slamming stems from Georgia and their directive to completely get out of the merchant function business. So no longer were LDCs in the merchant function business, and you had a lot of confusion and a lot of people switching in residential. That's not the case in Florida. We're just not going to run into that kind of problem in Florida.

COMMISSIONER JACOBS: Do you know to what extent -- I know a lot of that had to do because they did residential and everybody at one time. Do you know to what extent there were concerns by non-residential customers in Georgia? Did they experience slamming?

MS. BANKS: I really don't know on the non-residential side. I would say this, that I did request from member -- NARUC gas committee members what activity they have had, because many of the states, 21, in fact, already have residential programs in place. And I did seek did they ever have any problem with slamming, and in the 12 states that responded back to me, there has not been a single complaint of slamming.

Part of this stems from -- in a gas utility, it's not -- generally the utility says you have to take capacity with you when you go, because the marketer often doesn't hold capacity on any pipeline. So in order to have that transaction take place and the marketer have capacity with which he can move a customer's gas, he's got to get it from the utility. And in order to get it from the utility, he's got to go in there and say, "I have a customer here, and here's the document the customer signed," in order for the utility to release the capacity to them. And then once they release the capacity, now the marketer pays the FGT for the capacity.

There's a lot of things that have to go on in order to complete a natural gas transaction, plus that marketer has to nominate capacity every single day for all the customers on his system, which he submits to the LDC, who in turn submits it to FGT, who -- in turn, FGT checks with the producer to make sure that the gas is going in. There are so many safeguards that I think that's part of the reason you don't see that.

Again, the residential customers in Georgia, the reason why that was a problem is that you did it as a free-for-all, and you had a cutoff date, and so LDCs weren't going to shift all the capacity until they knew how many customers you had. And it was just a real mass confusion. Of course, they were if first ones to do anything like this. This is the first distribution company that no longer buys gas supply. None of the other states have done this. And I think there were a lot of lessons to be learned. And, of course, after the fact didn't really help them, because there were some issues.

In talking to some of the LDCs who are already unbundled, they have different procedures in place to even prevent the possibility of this happening, but this is just not something that we have seen in the market.

MR. MAKIN: All right. The last one is marketing affiliations. We have run into some problems in Florida with marketing affiliations. In our unbundling draft tariff, model tariff, we explained what we would like to see as far as marketing affiliations are concerned, separation, you know, in different buildings, and the president of the regulated utility cannot be the president of the unregulated utility, and so forth. So those are certain things that need to be addressed as it relates to marketing affiliations. And we only have, I think, three in Florida.

Having said that, I would like to proceed with opening comments by all parties, limited to five minutes.

CHAIRMAN GARCIA: All right. We'll start with you, Mr. Lorenzo, and then we'll work our way down.

MR. LORENZO: Thank you very much.

First of all, I would like to say that the Department of Management Services appreciates the opportunity to participate in this proceeding, and also appreciates Staff's effort in moving forward with the proposed rule and the process undergoing.

To make it short and to the point, the Department does agree with the rationale and the purpose and the content of the rule that's being put forth.

As a state agency involved in the Florida Natural Gas Procurement Program for state-owned facilities, we've determined that the implementation of the proposed rule itself will provide significant help, provide significant help to non-residential customers served by the investor-owned utilities across the state. In addition, we believe that even the utilities that do not come under the Florida Public Service Commission jurisdiction will eventually -- will adopt the provisions of the proposed rule when it becomes effective.

To date, we're seeing reduced thresholds, and we're also seeing progress being made as far as gains in savings to the State.

Currently we're seeing a growth in facilities being added to the system. Our previous number was in the high 30s. Now it's somewhere around 50. We roughly have a little over 100 facilities being under some type of analysis and appraisal being added to the state term contract. And we roughly have around 500 that we're looking to add in the near future. Just in clearing up, the middle number is in the process of being added, and the 500 figure is being under appraisal.

The numbers as far as the savings, when we look at annual savings to date, we previously have said somewhere around the vicinity of 1,300,000. That number has gone up. Certain areas have been added. Duval County is in the process of being added, and that will bring up the number on the annual savings.

As far as the natural gas cost avoidance, an approximate figure is still somewhat around the $5 million figure, a little bit more than that. I would like to get more accurate numbers.

As far as the total cumulative savings to date from the inception of the program, we're looking at roughly over a million dollars -- $11 million.

So for the FNGPP program to proceed, we see that it's essential for this rule to go forward in meeting the needs of the non-residential customers, and we're seeing that the whole state will continue to benefit. And we just look forward to the continuing cooperation of the Commission, and we appreciate the opportunity of being able to present.

Thank you.

MR. BLAZER: Rich Blazer with Infinite Energy. We are a natural gas marketer in the states of Georgia and Florida. In Georgia we market to the residential, the industrial, and the wholesale markets. And in Florida, we're currently marketing to the wholesale and the industrial and commercial markets. We have customers behind. We are serving customers that are natural gas customers of TECO, Peoples Gas, and City Gas.

We are in support of the proposed rule moving forward with deregulation in the State of Florida. Currently we have a difference in transportation abilities for customers to be able to buy their gas from someone other than the LDC throughout the state. This causes confusion for many customer that have many facilities in many different areas all over the State of Florida in trying to explain to them why they can choose their supplier in one area and not in another area. We have many customers in the TECO/Peoples Gas area that are waiting for the FTA program to reopen.

We have experience in the Georgia area with marketing companies slamming customers and are in support and helping the Commission Staff come up with -- helping the rules to be made to help in a smooth transition for deregulation in the State of Florida, bringing our knowledge of what has happened in the Georgia markets and with the Atlanta Gas Light unbundling so that Florida won't fall into the same errors that we did up there.

We appreciate the Staff's effort that they've had over the last three workshops in working forward and moving forward with deregulation, and are happy and hope to see more of the commercial accounts have the opportunity to transport and save monies on their gas costs and be able to choose and to pick their gas prices.

Thank you.

MR. RICHARDS: Good morning. My name is Allan Richards. I'm with End Users Natural Gas. We're natural gas based in Houston, Texas. We've been moving natural gas supplies directly to the ultimate consumer since 1986 throughout most major pipelines in the country.

I would like to take the opportunity to express our thanks to the Commission for having this workshop and the Staff's long diligence in bringing about the rule, simply to provide full and fair and equal access in the protection of the Florida consumer.

As we've moved from a regulatory model on the federal level with command control by FERC at the wellhead all the way to the city gate, the model failed for a variety of reasons, but primarily it was high cost pipeline contracts to producers with take or pay. The total net worth of those take or pay liabilities for those bilateral contracts under FERC jurisdiction in the early '80s was three times the total net worth of those interstate pipelines.

With the crash of oil from $42 down to below $10 in the early '80s, this caused the pipes to go empty, take or pays to be triggered, LDCs' minimum bills to the pipelines, causing great hardship on the LDCs, the interstate pipelines, and the producers.

Because of that phenomenon of X theory or market forces causing such hardship and pain on the natural gas industry, the natural gas industry went through deregulation. Through a series of various rulemakings, notice of inquiries, stakeholders were able on the federal level to come forward in a vibrant deregulation model whereby delivery of gas as a merchant function by the LDC is not a monopoly function, but we now have the contract carriage of that natural gas as the true natural monopoly, whereby the ultimate end users -- when I say end users, I should say LDCs have the right to source their supply.

Under state jurisdiction, the control of those local distribution companies and the advent of 636 by FERC, it is hoped, with firm natural gas transportation with equal access on a nondiscriminatory basis by the ultimate users, that open access can provide for customer choice on an equal basis.

I would like to start off just by saying briefly that with the historic regulatory model, the LDCs had this implicit obligation to serve their ultimate customers. And with that implicit obligation to serve those customers, they had a franchise which was granted by the state.

Without going into the specifics of those franchises, whether exclusive or protected or what have you, if there was an implicit obligation to serve, it is my view that as the LDCs move from a regulatory environment to a deregulated model, where their lines which are a natural monopoly are used for equal, nondiscriminatory access by the ultimate consumer, that the assets that were acquired under regulation should not be left stranded, but compensation for those assets should be granted, simply because of this obligation to serve.

Having said that, and that the LDCs then would become margin neutral, that their stockholders or the stakeholders would not be harmed by going to a deregulated model in keeping with what has happened on the federal level.

We have to have free and fair access by the consumer to those wholesale supplies. Today we don't have that. Today we have discrimination in Florida. If a customer has a certain load volume or a load profile, then they can get access to wholesale supplies. Some programs and LDCs would require a new point. If this is a new facility for them, then they can get access. If they put in certain natural gas fired equipment and displace electric equipment or enhance their natural gas load somehow, then they may be able to get access.

If a marketer can go out and get propane customers, then under those conditions it's possible in some LDC programs where they can bring on a like amount of on-system customers to the natural gas wholesale markets. Obviously, this in our view is discrimination. A certain set of conditions will allow that customer access to the wholesale market, whereby if the customer doesn't meet those conditions, then they are barred access to the wholesale markets.

The consequences of that is that the customer who doesn't have access is at a competitive disadvantage. And for these reasons, we feel it's essential that rule go forward, unless, of course, the local distribution companies voluntarily opened up their system, and then we wouldn't need a rule. And that could be done in a variety of ways. But if we have the current state of affairs, the current conditions whereby one consumer has access to the wholesale market and is achieving approximately 27 to 32% savings going directly to their bottom line, and the consumer across the street that competes with that same competitor does not have access, then they're in a competitive disadvantage. And that's why we need the rule, to ensure that we don't have undue discrimination, that we have equal access which is fair to all parties within the marketplace.

Regarding some of the concerns that were brought up, stranded investment, as I said in my opening remarks, I believe that if the LDC acquired those assets under regulation and they were prudent, that those assets should not be stranded and the LDC stakeholder should not be harmed because of that.

MR. MAKIN: Allan, I would like to get into that on an issue by issue basis and let everybody just make their opening statements, and then we'll come back and get into that.

MR. RICHARDS: That's all I had to say. Thank you.

CHAIRMAN GARCIA: Great.

Mr. Schneidermann?

MR. SCHNEIDERMANN: Good morning. I'm Marc Schneidermann from Florida Public Utilities Company.

I want to make it clear that Florida Public Utilities Company is a local distribution company. We're not a marketer. We do not have a marketing affiliate. We have no intentions of having a marketing affiliate.

There are certain items that are of great concern to us. One item which is paramount is marketer regulation. We want to make sure our customers get the same sort of treatment and care they get currently from Florida Public Utilities Company. We have many -- most of our customers, almost all of them, are very happy with our service. We need to make sure there isn't any way that their natural gas service will be degraded at all. Marketer regulation is essential. Starting off unbundling without having marketer regulation is very much like putting the cart before the horse.

Staff indicated that the LDC should ensure that the customers are dealing with reputable middlemen as part of their August 19th recommendation.

We don't see that as being the role of the LDC. We see it as being the role of a state agency.

Other issues that we're concerned about are such as the authority to be able to have adequate measurement devices approved for all transportation customers. In order to adequately bill the transportation customers and have them share in the cost of providing service to them, we need to get daily feedback from the transportation accounts. At this point in time, we don't have the assurance that we would be able to require the customers to contribute to the purchase of this sort of telemetry.

The recovery of stranded costs obviously is also a great concern to us. We did sign up for pipeline capacity. At the time, there was absolutely no choice. We had to take pipeline capacity on a long term to serve our customers. If the State were to fully unbundle, we need to address those issues. One way of mitigating the cost may be through a redevelopment or revising the purchased gas cost recovery factor mechanism, also known as the PGA. And I can get into that in more detail later on.

In order for unbundling to occur, there would also need to be adequate lead time. We would not be able to start this up in a short period of time. We would have to put the systems in place. There are significant investments we will have to make. Our original and still to date estimation of the cost of the systems will be about $1.7 million. We expect that there will be a recurring cost of about a quarter million dollars a year. There should also be reasonable recovery of the costs associated with providing transportation service to commercial customers.

Another issue that we really need to look into is that it doesn't make sense to offer transportation service to all levels of commercial customers. We currently have in total about 37,000 customers, 10% of which, about 3,700, are commercial customers. Of that 3,700 commercial customers, about 1,000 customers, 1,100 customers, one-third of our customers, use very small volumes of gas. And would it make sense, is it cost-effective to provide all these additional transportation services to customers that are using those small quantities?

Along the lines of Mr. Richards' statements, I would like to congratulate Staff. This has been a very long process.

But one of the key points is that we need to make sure that -- this may be looked at as protecting the Florida consumers by going and unbundling, but it's not true protection for the consumers. It gives them additional options, but we need to make sure there is consumer protection associated with an unbundled program.

Thank you.

MR. PALECKI: My name is Mike Palecki. I'm with City Gas Company of Florida.

City Gas Company of Florida supports the proposed rule. This rule provides each LDC the opportunity to tailor its program to its customer mix, its particular system, and its unique circumstances. It is not a "one size fits all" rule. And City Gas supports this flexible approach.

There is one principal reason for this rule: To give commercial customers the ability to choose their gas suppliers and allow them to reduce their energy costs if they so choose. We believe that this is a customer choice issue that we're dealing with today.

The issues set forth in the agenda this morning, obligation to serve, stranded investment, potential for slamming, excess capacity, and marketing affiliations, are serious, legitimate concerns. We think these issues can be dealt with. We have dealt with these issues in the other states that are served by NUI Corporation and in our tariffs. We believe that they've dealt with these issues except for the issue of marketing affiliation in our tariff here in Florida.

We'll address each of these issues individually during the issues discussion phase of this workshop. And we would like to thank the Commission and the Staff for this opportunity this morning.

Thank you.

MR. POWERS: Good morning, Commissioners. My name is Brian Powers, and I'm from Indiantown Gas Company. And I too am thankful to the Staff and to you, the Commissioners, to have a venue in which we can share our issues regarding this.

And I want to say right off the bat that we as a company are not against unbundling in the State of Florida. However, we don't feel that we should be required to file these tariffs, and I would like to just take a minute and tell you why.

In our case, as Indiantown Gas -- and there are several other LDCs that are similar to us under your jurisdiction -- we have only 21 commercial customers. Combined annually, we sell them 8,300

MM BTUs per year.

Now, we have a non-fuel rate for those customers of a little over six cents a therm. So you take my one Burger King, and already that has to be the cheapest energy that they could possibly buy in the State of Florida when you add their fuel and non-fuel and everything together.

Our concern is that in trying to offer the customer a choice, we will only drive that non-fuel cost up and erode any fuel savings that they may be able to ascertain. And when you consider the cost, not just the cost of the customer information system, but the cost of the filing, in addition to the other issues that are brought up here, stranded investment and those type of things, and you spread that over a mere 8,300 MM BTUs a year for the whole class -- this is all the customers combined -- there's a huge potential for that rate to be very large. And our concern is that we would have a -- if we were forced to do these things as a utility, while it would be good, we would achieve the objective of customer choice, these customers are making economic choices, and none of them would choose it. And that would put pressure on the other ratepayers where we would recover those costs.

And that's the brunt of our concern here. Again, we do feel that -- we're not trying to preclude customers in the rest of the state from achieving this, but we're concerned for our customers, our 21 customers that, while they don't have to go down this road, that it will never make sense for them to go down this road. And that's our concern.

Thank you.

MR. CALDWELL: Good morning, Commissioners. I'm Brent Caldwell with Peoples Gas. Thank you for this opportunity to discuss the implications of the proposed transportation service rule.

Natural gas is a valuable service to both the citizens and the businesses of Florida. Any program that improves customer satisfaction with their choice, and it is just that, a choice, of natural gas should be encouraged by the Commission. Peoples Gas believes that transportation service can improve customer satisfaction, but under the right circumstances.

The proposed transportation service rule requires local distribution companies to file tariffs that allow commercial customers to purchase their gas supply from a third party separate from the local distribution company. Peoples believes unbundled gas supply can be beneficial to some customers and to some utilities. Peoples Gas has demonstrated this belief by steadily expanding the availability of transportation service to commercial customers.

Ms. Pennino is handing out a graph, and in this graph it depicts the expansion of transportation service to commercial customers on the Peoples system.

Beginning in 1992, transportation service became available to all commercial and industrial customers who use at least 500,000 therms per year. Granted, this is a large amount, and while it represented 50% of the commercial and industrial throughput, it represented only a small fraction of the number of commercial and industrial customers on the total system.

In 1995 and '96, Peoples initiated two new transportation service offerings. The Transportation Aggregation or TA program, and the Firm Transportation Aggregation or FTA program, represented Peoples' new approach to allowing smaller volume customers to transport. To reduce the administrative effort associated with transportation service, Peoples developed the aggregation approach in which a single entity, usually a gas marketer, is responsible for the gas supply, the daily gas supply scheduling, monthly imbalance resolutions, the things Ms. Bulecza-Banks alluded to earlier. During the first two years of the FTA program, approximately 200 commercial customers transported nearly 20 million therms per year.

Peoples has taken an even more significant step toward providing transportation in 1999. In June, the FTA program was expanded to over 2,500 customers, representing 10% of the commercial and industrial customers on our system and approximately 70 million therms per year. In comparison, the American Gas Association estimates that currently nationally about 10% of commercial customers use transportation service for their natural gas. So we are right in line were the nation already.

Peoples followed the FTA expansion with the introduction of FTA-2 in October of '99. The FTA-2 will bring new customers onto the system from day one as transportation customers, and will also continue the conversion of existing commercial customers from sale service to transportation service.

The expanded FTA program and the FTA-2 pilot program provide the opportunity to understand the issues and benefits of transportation service for commercial customers. Peoples has taken this careful, methodical approach, reviewed and examined by the

Commission at each step, this careful, methodical approach to the expansion of transportation service to support our desire that Peoples' implementation of transportation service be successful. By successful I mean that it is beneficial both to customers and manageable and beneficial to the company.

For a transportation service to be successful, three equally important elements must exist. There must be a market desire for a transportation service, there needs to be a regulatory framework which allows and encourages transportation service, and the business must have the capability to run transportation service.

I'll speak briefly about those three elements, but the first element, market desire, means customers want the option to acquire the gas supply from someone besides their utility, and it also means there must be gas marketers who want to supply gas to these customers.

Considering the unique circumstances in Florida, the very low usage levels in many cases, the competitive fuel alternatives, it is not obvious that gas marketers will want to serve smaller commercial customers, and it's not obvious that customers will want to go through the effort of buying their gas from a marketer when gas is probably a small portion of their operating budget.

The second element for a successful transportation program is the permissive regulatory framework. And as demonstrated recently by City Gas, this framework already exists for the most part. The Commission evaluates each program according to its merits and the utility's specific circumstances.

More importantly, though, the regulatory framework will also need to evolve as the industry evolves. Natural gas already resides in a very competitive market. Introduction of unbundled gas supply potentially requires added rate flexibility, reduced regulatory oversight, more complex rate design, and may cause rate impact consequences. As Mr. Richards alluded to, if the business model changes, it is likely that the regulatory model will also have to change.

The third element is business capability. Unbundled natural gas supply adds complexity to virtually every aspect of the utility's business. Numerous systems and processes must be overhauled or replaced. The utility must have the business capability to handle the administrative effort and logistics of providing extensive transportation service. The expense of creating this business capability is great, and the business capability must be in place and tested, speaking from experience, prior to making the transportation service available. Failure will clearly lead to customer confusion and dissatisfaction. While the expense of creating the systems and processes up front is extremely expensive, not having the processes in place is probably even more expensive.

Additionally, a utility would clearly need to recover these extraordinary expenses, and for many utilities such as Indiantown, the expense of implementing transportation service to all commercial customers may far exceed any possible benefit.

To date, Peoples has spent approximately a million dollars to upgrade systems, and that's just upgrading systems directly related to the provision of transportation service, and will spend much more to go any further.

The Commission in previous Staff workshops have recognized the significant issues associated with unbundled gas supply. These issues include, among the list, and many others, marketer integrity, supplier of last resort, reliability, capacity management, and cost recovery. Peoples' cautious approach allows the

Company and the Commission to identify issues and design solutions before an issue becomes a significant, widespread problem.

So in conclusion, Peoples Gas has been and continues to be a proponent of unbundled natural gas supply when it makes sense. However, Peoples does not believe the proposed transportation service rule is either necessary or even beneficial compared to the current regulatory framework. For many local distribution companies, particularly the smaller companies, the expense and effort required to satisfy the proposed rule may be an actual detriment to their overall natural gas service.

For City Gas and Peoples, these utilities have shown that they will add transportation service to their service offerings to meet the competitive needs of the market and to improve their customer satisfaction.

The remaining utilities, Chesapeake and Florida Public, obviously will watch the results that Peoples Gas and City Gas experience. If there are measurable benefits that exceed their costs and their customers request transportation service, I am sure they too will address what is the appropriate course of action when it is the appropriate time.

The TECO merger with Peoples Gas has been a milestone in the natural gas industry of Florida. Peoples Gas is making natural gas service available to numerous portions of the state that would not have natural gas otherwise. Peoples' primary focus is providing natural gas to customers in a safe, reliable manner and at reasonable rates, the same objectives of the Commission. If transportation service can enhance this primary focus, Peoples will provide it. However, the proposed rule does not enhance this objective for Peoples, and therefore, Peoples does not support the proposed transportation service rule.

Thank you.

COMMISSIONER DEASON: Let me ask one quick question on the graph. From this, am I to conclude that approximately 11% of your commercial and industrial customers constitute some 80 plus percent of the number of therms sold to those classes?

MR. CALDWELL: That's absolutely correct.

COMMISSIONER DEASON: Okay. Thank you.

MR. MAKIN: Commissioners, it's your pleasure. Do you want to go issue by issue, or would you like to have each participant talk about all the issues at one time?

CHAIRMAN GARCIA: I think it might be

better, more comprehensive to deal with all of them at one time. If you think it's better the other way, Wayne, then --

MR. MAKIN: However you want it is fine with me, whatever is easier to grasp.

CHAIRMAN GARCIA: I don't know. Commissioners, what's your pleasure?

COMMISSIONER DEASON: It makes no difference to me.

MR. MAKIN: Okay. With that, I would like to start with the utilities first and then end up with the marketers at the end discussing the issues. And I think the first utility would be Florida Public Utilities, with the direction of the Commission to go forth and discuss all the issues at one time. We'll just go around with that. Okay?

MR. SCHNEIDERMANN: Mark Schneidermann from Florida Public Utilities Company.

The first issue that's listed is the obligation to serve and supplier of last resort. The way we look at that issue is, we would have no choice but to be the supplier of last resort and to provide gas to transportation customers whose gas supplies may not have shown up at the city gates for their accounts.

It would be impractical if unbundling were to occur in total for us to possibly turn off as many as 3,700 commercial customers whose gas supplies for whatever reason wouldn't show up at our city gates. We wouldn't have the work force available to do that. And obviously, we try to maintain good customer relations, and we would not want to do that. We would not want to inconvenience our customers.

COMMISSIONER DEASON: Well, let me understand. You're saying that you should not be the provider of last resort, but in reality, you would do everything you could to make sure that no one lost their service.

MR. SCHNEIDERMANN: The way the issue is presented and the way it has been addressed in the past, there has been discussion indicating that the LDC will not be responsible to be a supplier of last resort.

What I'm saying is that from a practical standpoint, it would be impossible for us not to be the supplier of last resort. If our commercial customers' transportation gas didn't show up, we would not have the work force available to go around and turn off those accounts, so obviously, we would still keep on supplying gas to those accounts.

COMMISSIONER DEASON: So would that jeopardize service to your firm customers?

MR. SCHNEIDERMANN: The way we're structured now, it would increase the cost for our firm services, firm service customers. What could happen is, if a transportation customer's gas did not show up, a significant sum didn't show up, then we may have to go in and buy some short-term gas supplies.

COMMISSIONER DEASON: Just because you don't have the capability to identify those transportation customers whose suppliers did not provide the gas and terminate service just to those customers?

MR. SCHNEIDERMANN: At this point in time, we have the capability.

COMMISSIONER DEASON: You do have the capability?

MR. SCHNEIDERMANN: We do have the capability. We have -- our larger customers are transporting. We have the --

COMMISSIONER DEASON: But you couldn't do it if all your commercial customers chose --

MR. SCHNEIDERMANN: No, we couldn't do it if there was widespread unbundling. We would still obviously look for the capability of measuring each transportation customer's consumption on a daily basis and comparing that to the amount of gas that they actually had tendered to our city gates for their accounts.

MS. BANKS: Excuse me. Mr. Schneidermann, if you could help me out here. Generally, from what I've understood, when those situations occur, and if you do go put additional gas in the system to cover the sales that are going through, wouldn't you in turn simply bill the marketer as penalties and the excess costs that go through? The marketers, from my understanding, are used to the situation, and that is exactly what occurs, so that in turn, your firm customers are not picking up the difference from the extra gas you had to buy.

MR. SCHNEIDERMANN: Under the current situation, what happens if the marketer's gas doesn't show up, we bill the customer for imbalances. Those imbalances are monitored on a daily basis. And we're able to do that now because we have the telemetry, the proper telemetry at each customer's location. If we were to go forward with widespread unbundling, the only way that we could properly allocate those costs and bill those costs, whether it's to the customer or the marketer, depending upon what is developed, would be based upon being able to get daily feedback on each one of our transportation customer accounts.

MS. BANKS: It may just be lack of experience, I think, in this particular area, because I know that under Peoples' program and under City Gas's program, the small commercial customers are not daily monitored, and the aggregator or marketer in this case, that's how the situation is handled through those imbalances. But again, I mean, it's a matter of experience and what you've gained over time from doing the program. But that's my understanding, that the bulk of that would be occurring as a result of the marketer getting the billing for any imbalances for the group of customers that fall under his purview that he's buying for.

COMMISSIONER CLARK: How do you know who is responsible for the imbalance if you don't meter?

MS. BANKS: He's looking at it as a daily imbalance. FGT, the pipeline, and all the entities work really on a monthly basis. You know at the end of the month how much you put in on behalf of the customers, and then you can look and see what the difference is for that particular customer.

But Mr. Schneidermann was looking more on a daily balancing issue. That has not occurred in

Florida. We don't daily balance, not even on FGT's system. But what happens is, sometimes the pipeline, if it gets truly out of whack and they know -- a system operator, say, for instance, City Gas, its city gate is way out of line. FGT would call up City and say, "As the system operator, you need to put some more gas on the system and find out what's going on."

COMMISSIONER DEASON: Let me ask this. Doesn't FGT bill -- in their tariff, there's daily amounts that are calculated, where if there were excesses or underages in their tariff, the customer that is using their transportation system has to account for that and pay accordingly on a daily basis, not a monthly basis.

MS. BANKS: No. They attempted to go daily in one particular filing at FERC, and they had so much animosity and disconcern from all the utilities that that did not go through. Their penalties are assessed on a monthly basis based on a monthly imbalance.

The only time you really look at some daily penalties are if they have an OFO in place, an operational flow order that says you must stick to this, because the system, you know, were it either in an over or under situation, in those particular situations, you will be penalized for a particular set of days. But that's generally when they have one of those mechanisms in place.

COMMISSIONER JACOBS: So there is experience with the larger transportation customers with these imbalances. Is there some additive effect by going to the smaller loads? Would you have more volume? Would there be a higher frequency or a greater volume?

MS. BANKS: Intuitively you might think so. And I really don't know. It would depend on the set of customers involved, because if I'm a small customer, but I have the same daily flow every day on my little process that I do day in, day out, you probably won't get a lot of fluctuations deviating from what you thought you would use based on what you actually did use. But there may be some customers out there that do experience some fluctuation that you might see. And it will depend on the group of customers.

Mr. Schneidermann had mentioned, you know, the need for actually monitoring these small guys. Throughout the country, what they have found is that they do not do this. In City Gas's experience, they have said no one individually has telemetry to know what a small commercial customer is doing, because it won't change your operation of your system enough. But a big customer using a lot of gas, it is necessary to know exactly what he's using hourly to make sure it doesn't jeopardize the integrity of the system. But when you're talking about smaller load customers, even if they were off 5%, it's so small that it doesn't really change the operational integrity, and the gas will flow.

As Mr. Schneidermann also mentioned, if you're on a system and, for instance, a marketer's gas did not show, the gas is still going to flow.

Now, if the customer is not very big and he's not using very much, they probably won't even know. The gas will flow. It just keeps physically moving, and not until the end of the month will you even know you had a blip.

COMMISSIONER JACOBS: So you would disagree then that they're going to have to go to the spot market on a daily basis?

MS. BANKS: Excuse me. I couldn't hear you.

COMMISSIONER JACOBS: You would disagree that to cover imbalances, they're probably going to have to look to the spot market on less than a monthly basis?

MS. BANKS: Those things are possible. And I think we're looking at things that there's a potential to happen.

The marketers who are sitting here have been in Florida's system for a long time, and I think that they've operated on many of the systems here, on the LDC systems, and I think that their gas supply has arrived. And if their supply is not showing up with these people who have been in the business for so long, I would suggest that you probably have some LDC gas supply that's not showing up either. And because that also is a possibility, they have it in the tariffs that if the LDC supply does not show up, they can take the marketer's supply in order to serve firm load. So those are different possibilities. There's a possibility the marketer got on and the LDC didn't. I mean, like we said, it's possible that the marketer's gas may not show up.

Those are things that I think happened at the beginning, in the early stages. We didn't -- there were some that were not reputable marketers that were in phone booths, and those were the things. And it kind of worked itself out, and those people left, and, yeah, some people lost money as they went to the Bahamas with the money they got.

But I think what you see here over time is the people who have been through the system. They've been marketing for years and years and years, and I think they've shown their customers that they are there to stay.

MS. PENNINO: Commissioner Jacobs, we can and will deal with the issue of the gas showing up. But I think that's the point. When you're talking about obligation to serve and supplier of last resort, I think what we're hearing here is, yes, the utility will go out and buy spot, and the utility will move gas around from one delivery point to the other, because we have the capability to do that.

No, the utility is not going to go out, and we're not going to allow pressure to drop to a certain delivery point so that we lose the whole -- you know, everybody behind the gate because somebody's gas didn't show up. But I think it speaks to the obligation to serve and the supplier of last resort. I think we're saying that the utility pretty much needs to be the back stop for the system. We need to be the supplier of last resort. Who else is going to put that gas in the system and make sure it flows?

MS. BANKS: I think what's important here from the Staff's point of view is that as a customer, when I'm undergoing a choice, and because I'm undergoing that choice, I generally am getting a better price, there's a risk that I undertake if I haven't -- if my gas supply doesn't show up.

Now, again, we're playing a big "what if" game that this is happening often, and it's just simply not happening out there in the real world. But assuming that we're going to make the assumption that we're discussing supplier of last resort, that in Staff's opinion is a risk I have to take.

If my gas doesn't show up, what I'm trying to have the utility say is, "I don't have an obligation to supply you molecules of gas. My obligation is simply to move them to you when I receive them, and if I do not receive them, I don't have an obligation. However, should I choose to be able to and I can supply you gas and I can put it in place, then I would like the opportunity to do so, and I would like to be able to keep it going for you."

But there's a small distinction there. I don't think they should be forced to, but they should have the ability if they choose to to supply that customer. But as a customer, if I choose to transport, I've got to understand that there's a possibility my gas won't show up. And that's a risk that I think the customers today understand. That is how it has been.

It's just like you're an interruptible customer. If I'm an interruptible customer on an LDC system, they can shut me off for whatever reason they have, because I am truly interruptible. They don't do that, and I don't -- I mean, it rarely, rarely happens, but they can. And that's basically the same thing we're saying. If your gas supply doesn't show up, we can shut you off.

COMMISSIONER JACOBS: What I'm hearing is that the system is probably not going to take that option. The option it will seek to take is to provide that customer service.

Who will the customer look to? He's always going to look to the marketer to address the instance where his capacity was not available at his time of need.

MS. BANKS: He probably will look to the LDC also. He'll look to anybody he can to get supply if it's critical.

COMMISSIONER JACOBS: Right.

MS. BANKS: When we had that bad situation with FGT in that August, everybody was having to shut down people. Marketer supply wasn't on. LDC didn't have 100% of supply on. But they were doing the best they could to get what they could through the system, and they were trying to help people out. They did it, we tried the make some adjustments over the phone to be able to say, "Yes, you can go ahead and try to get these people and help them if you can," because those provisions weren't out there at the time for emergency situations.

So the utility tries, just like any entity, I think, in the utility business. When we have pipeline interruptions on one system in other states, other pipelines try to pick up and help people when they can. I think that's just how the industry has historically worked. The customer will call up. In that situation, they were calling Peoples. They were calling their marketer. They wanted their supply on. Of course, everybody did. We were in a very critical state. And I think the customer will look to anybody it can.

And I think that those provisions can be in a tariff that says, you know, if possible -- and we have them now. If possible, it says we'll try to serve you if we can, but we don't have an obligation to. And I think that's the critical difference. It's like if we can, we will try, but we are not obligated to, because you are not buying supply from us.

MR. BLAZER: As a marketer in TECO's area, for the large accounts that we serve -- actually, for the smaller accounts --

CHAIRMAN GARCIA: Hang on for one second. I get a feeling we're going to break down into a free-for-all any moment now, if we're not there already.

Why don't we let the presenters go, and that way each one gets their full story in. And then Ms. Banks can take you all on, or half of you on, or whatever, and we'll have a nice discussion. But let's wait until it's all done so that we have the information, because we may get stuck. Let's get the whole story.

And, Mr. Schneidermann, I think you had the floor.

MR. SCHNEIDERMANN: Yes. If I may continue? Thank you very much.

I would like to just address key points that just came up, because a lot of this started with the line of questioning that we were going through.

As far as the obligation to serve, I realize that Staff is saying that we do not have the obligation to serve. What I'm saying is that it's impractical for us not to serve the customers. We're not going to be able to turn off a multitude of transportation customers.

In talking about what happens and who pays the additional cost for transportation customers' supplies that don't show up --

COMMISSIONER DEASON: Well, let me make sure I understand. And I hate to interrupt, but I'm going to ask my questions to you, and nobody answer the questions except the person I direct it to. We'll get to that point later.

Right now under your system, you do have transportation customers; is that correct?

MR. SCHNEIDERMANN: Yes. Right now we have 16 transportation customers, and they account for about 42% of our commercial volumes.

COMMISSIONER DEASON: Okay. Now, for those customers that you have on your system now that are transportation customers, do you have the capability to go and actually turn off service to them if that case ever arises?

MR. SCHNEIDERMANN: On each one of those accounts we do. And the way we can determine if we need to turn off the account is based upon the daily flow monitoring through the proper telemetry that's installed at each one of those sites.

COMMISSIONER DEASON: Have you ever done that?

MR. SCHNEIDERMANN: We have had interruptible transportation customers turned off. What has happened is, we have looked at the volumes that were being tendered for those accounts, and we found that they weren't sufficient, and the customers were told that they need to bring their consumption down to zero at a certain point in the day. The customers voluntarily turn their gas supply off or their use off, and we're able to monitor that they do not take any additional gas supplies through our computer system.

COMMISSIONER DEASON: So your concern is that if this proposed rule goes into effect, and just for the sake of argument, all of your commercial customers -- and I know it probably wouldn't in reality happen, but if all of your commercial customers chose to become transportation customers, you would not physically have the capability to go out and terminate service to that many different customers if there was some type of a major shortfall from the marketers serving those customers.

MR. SCHNEIDERMANN: We would not have the capability to do that if a significant number of customers did not have their gas supply show up at our gate. But also, in order to determine whose gas did not show up, we need to have the proper telemetry at the customer's site and the proper computer systems to feed back information concerning how much gas the customer consumed.

COMMISSIONER DEASON: And you couldn't wait until the end of the month to determine how much people used, because the flows are on an hourly or daily basis that need to be monitored to determine what gas is being delivered and who's consuming that gas?

MR. SCHNEIDERMANN: Yes. The flows are on a daily basis.

And I would like to address some of the items that Cheryl brought up concerning daily balancing versus monthly balancing. On FGT's system, there are requirements when the system gets high line pack, in other words, there's too much gas on the pipe, and the purchases are getting too high, or on a long line pack, where they will notify the LDCs, those shippers, and say, "You need to stay within a certain tolerance level." That tolerance level is normally 5, 6%. Once we actually consume or use more gas outside that tolerance range, that's when they start billing imbalance charges. This would happen on days, as Cheryl mentioned, where there are operational flow orders issued from the pipeline, and also days that are getting critical on the pipeline when they issue what they call alert day notices.

During the last three months, we've had a substantial number of alert days, probably in excess of -- I don't have the exact numbers with me right now, but in excess of about 15% of the days have been alert days where obviously daily gas balancing was a fact on the pipeline.

And what happens if you're out of balance, you simply get billed a penalty charge, and that penalty charge, we have no choice but to pass that along to our sales gas customers through the PGA. And we have mechanisms within our tariff right now where we can charge the transportation customers penalties based upon their daily imbalances. But the only way you can do that is if you're able to monitor the customer's daily flow at each one of their sites.

COMMISSIONER DEASON: So to protect your full requirements customers from potential impacts of the PGA, you would need the metering to determine if you could -- under your current tariff to pass through to those transportation customers who caused the imbalance?

MR. SCHNEIDERMANN: Exactly, exactly.

COMMISSIONER DEASON: And that's the way you operate now?

MR. SCHNEIDERMANN: That's the way we operate now. All transportation customers are required to have the proper measurement device, the proper telemetry.

COMMISSIONER DEASON: But at some point, it becomes economically infeasible for a small customer to have that type of metering in, because the up-front cost is going to overwhelm any potential energy savings derived from subscribing to a marketer. Would you agree with that?

MR. SCHNEIDERMANN: I agree, and that's an unfortunate reality. We have to avoid the possibility or great potential that our full requirements customers may be paying for a free ride of transportation service customers.

I think one issue that also came up concerning RTUs we need address some.

COMMISSIONER DEASON: RTUs? I'm sorry.

MR. SCHNEIDERMANN: I'm sorry. Remote terminal units, the telemetry at each customer's site.

I know I've heard in the past that there are many companies that don't require the RTUs on all their transportation customers. I've heard in the past that NUI doesn't require it. We have some recent information that shows that NUI has about 3,000 of these units out there. That number is significant. When looking at NUI's 10K from 1998, they had about 2,700 transportation customers. So we would like to even have that addressed at some point in time.

COMMISSIONER DEASON: Well, maybe we'll get to that. Thank you.

MR. SCHNEIDERMANN: But we look at the way to properly allocate costs is to be able to have the real-time data, the daily information from the transportation customers.

Also, on the pipeline system, the pipeline originally a while back proposed what was called daily balancing, and that was a way of looking at each LDC's account every single day and seeing how far out of balance they were, whether it was a critical day or not, and to bill each LDC or shipper on the pipeline system a daily balancing charge.

That proposal never came to fruition, but what happened was, the pipeline agreed with its customers that instead of going to daily balancing, they would have certain tools in order to balance out its system, to be able to go out and buy gas, to be able to go out and sell gas if their system is too high on line pack.

And those tools are called -- they're daily operational balancing tools. And the pipeline bills the LDC for those tools, and we pass that cost along through our PGA. We have no choice. That's the one way it can get --

COMMISSIONER DEASON: What tools are these again?

MR. SCHNEIDERMANN: These are tools so the pipeline can go out and buy additional gas supplies if the pipeline is line packed, the pipeline's pressures are getting too low, or they can sell.

COMMISSIONER DEASON: And they probably buy it at a high price.

MR. SCHNEIDERMANN: Of course. That's just the way the market goes.

COMMISSIONER DEASON: And if you have too high a line pack, they sell it for you at a low price?

MR. SCHNEIDERMANN: They sell off some of their supplies. It's called system balancing tools. And there's a system balancing tool account that the pipeline has that's very typical. But in essence, it winds up being fed back or charged back to the LDCs through the pipeline's rates and the pipeline's bills.

COMMISSIONER DEASON: That's a cost of doing business. How do you recover that cost?

MR. SCHNEIDERMANN: That's recovered through our PGA. That's the only way we can recover it. We have no way of identifying if the pipeline went out and bought gas or sold gas based upon any one of our particular customers. That is a PGA issue.

COMMISSIONER DEASON: Is that a significant cost for your company?

MR. SCHNEIDERMANN: It varies. The pipeline keeps a running total. When it hits their own targets, that's when they get with the customers about billing.

But what I'm saying is, the pipeline has those daily tools in place.

COMMISSIONER DEASON: Do you have any way to audit that to make sure that you're --

MR. SCHNEIDERMANN: We have the right to audit, yes. All shippers on the pipeline have a right to the records concerning the operational balancing tools.

COMMISSIONER DEASON: The pipeline entity, does it have the capability -- at your city gate, for example, just hypothetically, let's say that 50% of the gas coming in is gas that is being provided to full requirements customers, and another 50% is being provided by marketers to serve transportation customers behind your gate, and say there's two marketers. Does Florida Gas Transmission know the molecules that are flowing to your city gate, how much is coming from marketer A, how much is coming from marketer B, and how much is your gas that you've subscribed to?

MR. SCHNEIDERMANN: Yes, they do know that. But under our contractual obligations with Florida Gas Transmission, we are what's known as a delivery point operator. We're responsible for keeping each one of our points in balance, irrespective if the gas is coming from marketers or our own system supply purchases.

COMMISSIONER DEASON: So you have an obligation with FGT to make sure that everything stays in balance as much as possible?

MR. SCHNEIDERMANN: Yes, we do.

COMMISSIONER DEASON: And if things get out of balance, you're the one that suffers the economic consequences of that?

MR. SCHNEIDERMANN: We get the penalty bills in, yes.

As far as the next item, stranded investments, we entered into pipeline capacity agreements prior to the issue of unbundling coming up. Our pipeline capacity agreements are long-term agreements, expiring year 2010, 2015.

There were certain methods for electing to subscribe to certain capacity. One method that we agreed to for our lowest cost capacity on the pipeline was an automatic contract renewal. Another method that was offered at the time was to take your capacity and essentially put it up for auction, and then you had a right of first refusal if you wanted to pay whatever price was bid. I believe that's what City Gas elected to do. This option addresses our lower cost capacity known as FTS-1 on the pipeline. So as far as pipeline capacity goes, we do have a long-term obligation as late as 2015.

One of the items that I brought up, I believe it was in the second workshop, that would help mitigate the cost of the stranded investment would be a restructuring of the purchased gas cost recovery factor. And I'll break it down into two components, one component which is essentially just a capacity charge, and the second component which covers the commodity cost of gas, whereby transportation customers will be charged the PGA component for pipeline capacity, and full requirements customers will be charged both components, the pipeline capacity component, along with the actual commodity component. And in theory, right now, if you were to add the capacity component and the commodity component together, you would come back to what is known as our PGA or monthly energy charge to customers.

So that is one way that we mentioned to mitigate the problems with stranded investment.

COMMISSIONER DEASON: Would you know -- if that were to happen, would you have the information to adequately bill the capacity component of the PGA to your transportation customers?

MR. SCHNEIDERMANN: What I envision if that were to happen is, we would have to estimate the amount of capacity that's going to be used or the amount of volumes that are going to be sold compared to the amount of capacity subscribed to, and there would have to be an annual true-up just like there is in the PGA. There would be a true-up of capacity charges, as well as a true-up of the commodity charge.

It adds a little bit more work, but I look at that as being the most equitable way of allocating pipeline costs and being able to serve the transportation customers without having an adverse impact on the full requirements customers such as the residential customers.

COMMISSIONER DEASON: Is there any way -- you said that's the most equitable way. Is there any other way to recover those costs without using the PGA and still protect the full requirements customers from absorbing any of those costs? Can you estimate them on an up-front basis and have it as a charge to customers when they leave the system and become transportation customers?

MR. SCHNEIDERMANN: Yes, we can. We can have a reasonable estimate. And there are many ways of approaching this, but I look at that as being the fairest way of doing it. It would cover any additional capacity that's held for peak days, roll those costs all into that capacity charge component.

COMMISSIONER DEASON: But you would have to put in -- if you did it through the PGA, there would be an ongoing administrative cost of administering that, would there not?

MR. SCHNEIDERMANN: Yes, there would, but I think the ongoing administrative cost greatly outweighs the potential for allocating additional cost to our residential and non-transportation customers.

Our residential market is very different than other areas of the country. A typical residential customer does not have or does not use much in the way of gas for heating. And that's where throughout the country, particularly in the northeast, you'll find a heating customer may use, to throw out numbers, about 880 therms a year. Our customers, our residential customers use about 240 therms per year.

So if you have system balancing costs, to spread those costs among customers who use almost one-quarter of customers in other parts of the country, it would have a great impact, a greater impact on our customers.

Also, in other parts of the country, because residential customers do use more natural gas for heating, they stand to save significantly more dollars than our customers do. In other parts of the country, residential customers really need natural gas. Down in South Florida, the savings is relatively small for residential customers. So we need to make sure we can protect them and protect that market.

As far as potential for slamming and consumer protection, we do not look at the local distribution company as being -- or they shouldn't be placed in the role of a consumer protection agency. It's not appropriate for a local distribution company to administer programs or set certain thresholds or certain creditworthiness provisions for marketers. It may in fact preclude certain marketers from doing business with the LDC's transportation customers. It may even evolve into restraint of trade issues when you set the creditworthiness requirement at a certain level and the marketer may not be able to meet that.

There are many issues, such as what happens if a marketer does not perform properly? Does the LDC then try to persuade the marketer to perform properly, and if they can't do that, bring suit against the marketer? That's not the way to go with this issue.

In other parts of the country where unbundling has occurred, you would find that there were conditions set up whereby marketers were regulated by the states, such as in Georgia, such as in New Jersey, New York -- the list goes on. I know even Michigan is looking at a proposal now, because they're concerned about marketer abuse, which has in the house bill penalties as high was $10,000 to $20,000 for the first infraction by a marketer, and second infractions are in the range of $20,000 to

$40,000 per infraction.

We're not asserting that marketer abuse will happen down here, but we need to make sure our customers are protected from the possibility of abuse, and we do not see that it should be the LDC's role.

COMMISSIONER DEASON: Well, if it's not the LDC's role and it basically falls to government, I'm not sure we have the jurisdiction over marketers. Maybe that's something we can address later on. Maybe Staff can help me out on that. Who does it?

MR. SCHNEIDERMANN: I can provide you assistance with that answer. We just see that there is a definite need for marketer regulation.

COMMISSIONER DEASON: I'm going to interrupt your presentation for just a second. Let me ask Staff, have we looked at what our jurisdiction is over marketers? I assume it's none or practically none.

MS. BANKS: In 1992 the statute was changed to specifically eliminate any jurisdiction over marketers by the Public Service Commission or any entity in the State.

COMMISSIONER DEASON: Is there any other government agency that would either directly or indirectly handle complaints about marketers? Would it be some type of overall state consumer agency, or would there be -- if there were allegations of fraud, I guess that would be -- I don't know. Attorney General's Office? Have we ever even looked at that?

MS. BANKS: When that statute was amended, apparently, from my recollection of that seven years ago, that statute was specifically -- the wording was put into, I believe, 366 in the beginning in the definition to specifically eliminate the impact of having the Commission having any jurisdiction over marketers. The premise, from my understanding, was that they felt that in order to encourage competition in the area, they didn't want an oversight body. They wanted a free market of which marketers could come in and out without any oversight, because it was considered a competitive arena. That's why the wording of the definition of public utility was changed then.

As far as what would happen in a problem, maybe the Attorney General. I assume most complaints would go to Agriculture through their complaint process.

COMMISSIONER DEASON: Do we know now if there are any complaints being filed with the marketers that are doing business now in Florida?

MS. BANKS: I am not familiar with any.

COMMISSIONER DEASON: But we would not be the agency to receive those under current structure.

MS. BANKS: We probably would get them anyway, because if we get complaints now from customers that they want to be able to transport and they can't, I assume that if they had a problem with a marketer, at least they would start here with us to go somewhere else. I would assume they would have to start here. I have not gotten any.

Have you?

MR. MAKIN: No.

COMMISSIONER DEASON: Then you would think that even if we didn't have jurisdiction, we would get the call?

MS. BANKS: I think we would get the call, because we get the call for propane, gasoline. They start somewhere in a state agency, and eventually it will get here.

COMMISSIONER DEASON: I apologize for interrupting. You may continue.

MR. SCHNEIDERMANN: The reason why you may not be getting the calls, our customers haven't had many problems with marketers. When they do, we try to help them resolve the problems. The customers that are transporting are the larger customers. Marketers want to ensure that they retain those customers.

The concern that we have is that when or if unbundling goes widespread, we would not be a position to help 1,000 customers or 500 or 200 customers resolve issues with their marketers. We would not be able to act as referee. We would not have the time, the manpower, or the capability to do that.

I think also what has to be looked at is, it was mentioned that in other states, there is marketer regulation. I think before unbundling were to occur, the issue about marketer regulation needs to be resolved, without a doubt.

If you look in Georgia's recent history, there was an issue with Peachtree Natural Gas just recently filing Chapter 11 bankruptcy in October, and there were many issues with reassignment of customers. Even a few months before that, United Gas, another marketing company up in Georgia, in August of '99, there were 141 slamming complaints amongst 200 complaints filed by customers. We would not be in a position to help customers resolve those issues, and it shouldn't be our role either.

You know, it's not fair to assume that the LDC will pick up the pieces when the gas supply doesn't show up. It just wouldn't work for us, and it wouldn't work well for the customer either.

The next item, excess capacity, excess capacity and stranded investment go hand in hand, the way I see it. There are mechanisms on the pipeline system to release or sell off daily excess capacity. There isn't always a viable market for that capacity. During peak periods, obviously, the capacity has a lot more value than during non-peak periods on the pipeline system. But the unfortunate reality is that during peak periods, that's when we need to use the capacity for our customers.

A way of taking care of costs associated with excess capacity obviously is, as I mentioned, to release the capacity when not being used, assuming you can get a market for it, and also to stream the cost of the excess capacity in through the capacity portion of the purchased gas adjustment which I've proposed. So I do not see the excess capacity issue being a major, insurmountable that couldn't be overcome.

COMMISSIONER DEASON: But what about the question, if a customer chooses to become a transportation customer, obviously, there's an amount of capacity that was subscribed to to serve that customer. Should there be a requirement that that capacity goes with that customer and that the marketer has to be responsible for that amount of capacity?

MR. SCHNEIDERMANN: I feel that to break down the capacity by customer into discrete elements based upon when we signed up for capacity years ago would be a very inexact science, would not yield results that are appropriate in many cases. Customers can obviously change their load profile pretty easily. A large customer adding additional heating equipment can change their capacity requirements dramatically without us even knowing.

I don't see it as being a possibility really to say when we sign up for capacity, we sign up for X number of therms per day for your account. That's why I looked at breaking the PGA up into those two components as being the most equitable way of sharing the capacity costs amongst transportation and non-transporting customers.

The next issue I'll have the shortest response to of all my responses. We're not going to take a position on marketing affiliates. As I mentioned, we are an LDC. We're a local distribution company. Our plans are to stay in the distribution business. We have absolutely no plans to form a marketing affiliate. So with that being said, we'll make no comment on the marketing affiliate portion of the issues.

Thank you.

CHAIRMAN GARCIA: The next one will be -- they're in favor of the Staff rule. Do you want to hear from those that aren't and then --

MR. MAKIN: I love hearing from the ones that are in favor of Staff.

CHAIRMAN GARCIA: You wanted the companies -- I guess Mr. Palecki's company is somewhere in the middle; right?

MR. MAKIN: We'll let Peoples go next.

MR. PALECKI: Ray DeMoine will -- Peoples next?

MR. MAKIN: Yes.

CHAIRMAN GARCIA: We'll let Peoples go first and then -- I think you're somewhere not in the middle, but you do a little bit of both. All right? We'll go with Peoples next.

Well, why don't we take a break. It's 11:10. Let's take a break until 11:30.

(Short recess.)

COMMISSIONER DEASON: Okay. We'll go back on the record.

Mr. Caldwell, were you scheduled next, I believe?

MR. CALDWELL: I believe I was.

COMMISSIONER DEASON: Okay. Please proceed.

MR. CALDWELL: Okay. To start with, I want to mention that the issues on this list are some of the issues regarding how to unbundle, but back to my opening comments, really the question is whether or not to unbundle.

Additionally, I concur with virtually everything that Mr. Schneidermann indicated, but I'll make a few quick comments just to get it on the record.

As far as obligation to serve and supplier of last resort, clearly, Peoples Gas has the obligation to serve. When a customer asks for natural gas service, we have to extend the pipe and make sure that safe, reliable, and adequate gas service is available at reasonable rates. Clearly, part of this includes the reliability, and that ties directly to the treatment of capacity and the supplier of last resort. As indicated by Ms. Bulecza-Banks and Mr. Schneidermann, if the gas does not show up, the gas is still consumed by the customer.

And there is a significant difference

between large industrial customers. Looking back last August, or August of '98, I guess it was, when the FGT outage occurred, we had people working around the clock going out and turning off a couple hundred large industrial customers, turning them off, bringing them back on, monitoring pressures. You can do that with a couple of hundred customers.

When you talk about unbundling for all commercial customers, 25,000 customers, if a supplier that perhaps is supplying 20% of that load doesn't put gas in the system, you've got a significant low pressure issue that could have the consequence of bringing down a whole division. And unlike electricity, if customers go out, (1), you have to go out there and turn them off, and then (2), you've got to bring them back on one appliance at a time. So it's a very significant consequence.

But the reality is, the utility is the supplier of last resort. We can't have customers go out, and it does fall upon the utility to make sure that customers continue to have service.

In terms of the excess capacity and the stranded cost, stranded investment, the term "excess capacity" would indicate that there is more capacity than needed, but the reality is, you have to be able to meet that firm day peak demand for your customers. That means you've got to have adequate gas supply. You've got to have adequate capacity on the pipeline.

Granted, there has not been a significant need to turn off interruptible customers because of capacity or supply shortages in the last couple of years. FGT expanded the pipeline in '95. We've had successive extremely warm winters. So honestly, the gas system, the integrity and the operational difficulties haven't been tested recently. I don't think we can bank on that happening forever.

So the bottom line is that still the utility has committed to meet that peak need. You have to step up with that capacity on a long-term basis. It's uncertain when additional capacity will be available, when the pipeline, for instance, will decide to add additional capacity coming into the state. You've got to be ready to serve growth. And in Peoples' situation, that is obviously a primary focus. We hope to add lots of new customers, requiring new capacity going forward for a number of years.

To the extent that you're not using that peak capacity on a given day, as Mr. Schneidermann indicated, that unused capacity still has a cost with it. Customers still have need to pay for it. And just because you go to transport, you still have that same -- they still should have that same requirement to pay for it.

I look at the interstate pipeline capacity as being just like the distribution pipe. We may not own it, but the need to supply customers is exactly the same.

With regard to the potential for slamming, I guess it's called cramming and other names for customer acquisition. Certainly the best way, I believe, to address slamming is with customer education. And I think unbundling programs around the nation have kind of recognized that you cannot overdo the education piece. It's expensive. But if customers know what their options are, the people they're dealing with, then slamming is not necessarily that big of an issue. But once again, it does cause expense.

COMMISSIONER JACOBS: Do you know if FERC or the AGA have any ethics provisions that they're required to adhere to?

MR. CALDWELL: I'm not certain. With regard to LDCs, I'm quite certain that FERC does not have any -- you know, a code of conduct for the LDCs, and ethics. As far as the AGA, I'm not positive.

And then the one final issue that is on the list, the marketing affiliations, Peoples Gas System does have a gas marketing affiliate. That's TECO Gas Services.

The important part, if you are going to unbundle, that means you're trying to stimulate competition for the gas supply. Granted, it's already competitive on a wholesale basis. Now you're trying to bring that competitiveness to the retail. To maximize that competitiveness, all potential and capable marketers should have equal access to serve those customers. That includes any affiliate of the company.

That's all.

COMMISSIONER DEASON: Are you finished? Thank you.

Mr. Powers, were you planning on addressing the issues?

MR. POWERS: I'll be glad to if this is the appropriate time, although you had requested to hear from City Gas next. But if you would rather hear from me now, that will be fine.

COMMISSIONER DEASON: Well, while you have the microphone, we'll go ahead and hear from you.

MR. POWERS: Thank you.

The reality of unbundling for this class for our company is similar to the situation that Cheryl described earlier in talking about why we're not unbundling the residential market. And the reality is that we don't have the critical mass on our system to justify it.

And as you look at these issues going down the list, of course, obligation to serve I think we've identified. That's really a non-issue, I think. That has been pointed out.

But certainly from a stranded investment and excess capacity standpoint, those are costs that, (1), would be hard to split out, but (2), if I could, to this one class, would be very difficult. It would be not cost-effective on those issues alone, not to mention the cost of filing the tariff and customer information system changes that we talked about earlier. I think when you look at that whole package, you say, you know, how do you spread those costs over a mere 8,000 MM BTUs a year. It just doesn't make sense. So that's really our position on the issue of stranded investment and the excess capacity.

I'm not so worried about the potential for slamming from our perspective, although there were some good points raised on that.

And our position on the marketing affiliate is obviously the same. We've got our hands full just being a gas company, and we're not in the position of looking to be a marketing affiliate either.

So those are our concerns in this. And I would urge you could come up with some kind of a threshold for where it makes sense to unbundle this class on a company basis. I think that's the best way to handle it when you look at all the costs that are involved.

Thank you.

COMMISSIONER DEASON: Do you have a suggestion, a suggested threshold level where the rule would apply and where it would not apply?

MR. POWERS: I don't, but I'm sure there's enough wisdom in this room that we could come up with an equitable solution to that. But I don't have a specific number where I think that would make sense.

Also, there's other companies besides myself in the same position, and I think it would be interesting in trying to determine that to hear their thoughts on the matter as well.

COMMISSIONER DEASON: Okay. Thank you.

MR. POWERS: Thank you.

COMMISSIONER DEASON: Mr. Palecki?

MR. PALECKI: Ray DeMoine will be addressing the specific issues for City Gas Company of Florida.

COMMISSIONER DEASON: Very well.

MR. DeMOINE: Good morning, Commissioners. With regard to the issue of supplier of last resort, the practical reality for the small commercial customers is that we are going to be the supplier of last resort. However, that's not true for the larger customers.

I agree with some of the other utilities here. The real issue here is, you know, who's going to pay those costs if there are days when the marketers do not deliver on critical days. I agree with Florida Public Utilities when they talk about the large customers. We do need the ability to shut those customers off on those days when the gas is not delivered. Our tariffs currently provide for that. We have no obligation to serve those customers, and we can shut them off.

COMMISSIONER CLARK: I would like some clarification of your position and I guess others' position on the supplier of last resort. Do you think that we should put on the pipelines the obligation of being supplier of last resort, or should they be permitted to be the supplier if they so choose?

MR. DeMOINE: Put that obligation on the pipeline or the LDC?

COMMISSIONER CLARK: The LDC.

MR. DeMOINE: On the LDC? In the various states that I'm familiar with, that issue has not been resolved, fully resolved. Two states have addressed it in legislation. In New Jersey they're commencing a proceeding, and they're going to make a determination in three years what our obligation will ultimately be.

COMMISSIONER CLARK: I can see where when you're using gas that you might want to have the obligation to serve. I'm just curious as to whether or not that is appropriate here, because as Ms. Banks I think pointed out, while you may serve them for some period of time, it should be their obligation to find another supplier, and there isn't the same need for a supplier of last resort that there might be in a telephone or electricity situation, because I guess to some extent they could choose not to use gas anymore.

MR. DeMOINE: The difficulty there with natural gas as compared with other utilities, telephone and electric, if gas does not show up, if we do not have enough gas in our system, it does not stay pressurized. We have to literally go out -- in our case, we would have to shut down 100,000 customers and then go back in and relight 100,000 customers.

COMMISSIONER CLARK: Well, I appreciate that. I think for some period of time you would as a practical matter continue to supply the gas. My question is, should we say to you, not only do you -- in those circumstances, you would continue to supply the gas. But should we also say to you that if the customer chooses and wants to come back to you as their supplier, you have to serve them? That to me is a supplier of last resort. Or should we not impose that obligation on you that you should serve them?

MR. DeMOINE: I think initially we need to continue to provide that service so the customers can, you know --

COMMISSIONER CLARK: When the market is more robust, you might say that you don't have supplier of last resort obligations in the long term. You might have it in the short term, but not in the long term?

MR. DeMOINE: Until there is an alternative proposal of a supplier of last resort.

COMMISSIONER CLARK: Well, should there be a supplier of last resort, and should it be you?

MR. DeMOINE: Yes, I believe there should be a supplier of last resort. And initially, yes, I do believe it should be us.

COMMISSIONER CLARK: Why does there need to be a supplier of last resort?

MR. DeMOINE: I know in our Brevard division, we have two larger operating divisions here in Miami. We do have heating load that would be a concern, not the same concern that we have in our northern divisions.

COMMISSIONER CLARK: Well, hopefully they wouldn't freeze in Miami.

MR. DeMOINE: Well, hopefully not.

Also, it's just not practical, as has been pointed out, to shut gas off at an individual, at a small business or a residential customer. So we do need to ensure that there is gas coming into our system for those customers.

COMMISSIONER JACOBS: Staff mentioned in the background presentation that there is an opportunity for the LDC to offer backup service.

MR. DeMOINE: Yes.

COMMISSIONER JACOBS: Is that a way to address this risk, which is not really your risk? It's the customer's risk, but I understand what you're saying, that de facto you're going to have to be the one that addresses that risk. Is that a reasonable way to do that? Do you understand what I mean by backup?

MR. DeMOINE: Yes. That would be one way to do it. And we do offer standby service in the event that a marketer is unable to deliver.

COMMISSIONER JACOBS: And that's presently offered in bundled service, isn't it?

MR. DeMOINE: Well, in bundled service we have the obligation to provide the gas, so it's not necessary. But we do have a provision in our transportation tariffs, a standby provision that in the event that the marketer is unable to get gas into our system, we will stand ready to provide service.

COMMISSIONER JACOBS: What's the cost recovery process for that?

MR. DeMOINE: Right now we don't have any customer subscribing to it. They would pay us essentially the cost of having the capacity available to stand ready to serve that customer.

So we would essentially credit that back -- those costs that we -- we would charge the customer the cost of our capacity to stand ready. Right now all gas costs go into our PGA, and then we would credit those standby revenues to the PGA.

COMMISSIONER JACOBS: You wouldn't recover from them the cost of the gas you buy?

MR. DeMOINE: Not the commodity. The commodity would be billed to those customers separately at the time --

COMMISSIONER JACOBS: But it would be billed to them?

MR. DeMOINE: Yes, they would be billed the commodity at the time that they actually took service under that standby obligation.

COMMISSIONER JACOBS: Okay. Thank you.

COMMISSIONER DEASON: Well, let me ask a question at this point. In the exchange between yourself and Commissioner Clark, I kind of got the impression that there may have been a differing assumption as to the time frames involved. I kind of took Commissioner Clark's question to be a provider of last resort kind of in the longer term, in the sense that if nobody else wants to provide service to a customer, is it your obligation. And I think you were kind of answering in terms of, well, if there's an hourly or a daily lack of capacity, you can't go terminate service to this many smaller customers, and you in fact just de facto become the provider of last resort, so, yes, you are the provider of last resort.

I guess my question is, what time frame were you talking about? Were you talking about long-term, that if a customer becomes a transportation customer and then their marketer goes out of business, and no other marketer is interested in serving them? Was it in that context, or was it -- just provide me your comments on that, looking at the different time frames involved.

MR. DeMOINE: I think the time frame would be indefinite, until such time that there is someone else that could stand in as that supplier of last resort. I don't think we can put a time frame on it, you know, two years, five years. I think it's until there's someone there to stand ready to provide service to those small commercial customers.

COMMISSIONER CLARK: How do you plan for that, and who would bear the burden of making sure the capacity is there to serve those customers who might want to come back?

MR. DeMOINE: Okay. The real issue here -- and I was going to get to that with regard to supplier of last resort -- is having the capacity into our system. And I think we've already addressed that in our tariff that was approved yesterday, in that we require a comparable capacity. We don't require a mandatory assignment of our capacity, but we require comparable capacity. What we mean by that is that we want to see that you have firm delivery throughout the year, 365 days a year, into our system.

Now, that can either be primary firm delivery points on our system, which they would probably only be able to get from us in a released capacity arrangement, or they could get firm capacity downstream of our system. Essentially, I believe the only company downstream in the Miami area would be from Peoples that would have firm delivery into the Miami area. But we are looking to ensure that the marketer has firm deliverability into our system.

As I mentioned, other states are looking at this. I'm not aware of anyone that has relieved the local distribution companies of the obligation to serve, particularly with the small commercial and residential markets.

With regard to the larger customers, it is necessary that we have telemetry equipment on customers that can have an operational impact on our system. Originally when we offered transportation in another jurisdiction, we required all customers, and we saw that that was a mistake. We learned real quickly that we don't need telemetry equipment for the smaller commercial customers. Therefore, those requirements have been eliminated. We've come up with average delivery quantities that marketers must deliver 365 days to ensure the operational integrity of our system. So supplier of last resort is an important issue, but I think we have dealt with it in our existing tariffs that are here today, here in Florida today.

COMMISSIONER DEASON: Well, how do you determine -- if you incur a situation where you're out of balance with the pipeline, and you cannot measure transportation, all of your transportation customers, how do you know who's responsible for that? How do you know how much of that is due to fluctuations in load from your full requirements customers and how much of that is due to fluctuations in load on your smaller transportation customers if you can't measure that?

MR. DeMOINE: You're going to have those fluctuations, and that's the tradeoff. That's the tradeoff that you're going to have by not requiring the AMR. Those customers, their actual consumption is never going to match, you know, exactly what the marketer is bringing in. But we believe that through our estimating routines that it's going to be -- the delivery quantity is going to be a reasonable match for the marketer's total pool of customers, and we don't expect any significant imbalances there.

COMMISSIONER DEASON: So it's a process you employ now, and you have to make some assumptions as to -- do you true that up on a monthly basis, or how do you do that?

MR. DeMOINE: Yes. Every month when we are forecasting what the customer requirements are going to be next month, when we're calculating what we call the average daily delivery quantity, we look at their previous history, and through algorithms we calculate a forecasted demand for the upcoming month. We also look at the previous month, and we compare their actual consumption during that period to what we had delivered in that period.

To the extent that they are overdelivered or underdelivered in the previous month, that's getting added in as a true-up. So there is a true-up each month as part of the ADDQ calculation.

COMMISSIONER DEASON: The what calculation?

MR. DeMOINE: The average daily delivery quantity or ADDQ, the average amount that the marketer is going to be required to deliver to our system.

COMMISSIONER DEASON: And so that's part -- the marketer is responsible for recovering those costs, or how does that work?

MR. DeMOINE: Yes. The marketer is responsible for delivering that quantity of gas to our system, and he would be responsible for securing the capacity.

Now, he can either get that capacity from us for the small commercials through a released capacity arrangement, or he can go on the open market and secure the capacity, as long as it's firm capacity, comparable capacity into our system.

COMMISSIONER DEASON: But what about the pipeline itself? When you're out of balance with the pipeline -- and there's going to be slight variances, and that's just the normal course of doing business. But there are economic consequences from that. If you're more than a certain percentage out of balance, I suppose you have economic consequences; is that correct?

MR. DeMOINE: That's correct. To the extent that a marketer nominates gas on a system and the marketer's delivery is not equal to what his nominations were for the day, and City Gas gets billed as the delivery point operator for balancing charges on any given day, we have provisions in our tariff, in our third-party supplier tariff to allow us to bill that charge back to the marketer. And in fact, that did happen. The last time I recall it happening was when there was the FGT incident about a year ago. There were some situations there where marketers caused costs to happen on our system, and we billed those costs directly to the marketer.

COMMISSIONER DEASON: Did you have any problem collecting those?

MR. DeMOINE: Not to my knowledge.

COMMISSIONER DEASON: And is this something that routinely happens every month, just maybe at a lesser level than the August incident?

MR. DeMOINE: There's definitely cash-outs each month. But whether there's penalty charges, I don't know if that's a routine matter.

COMMISSIONER DEASON: Okay.

MR. DeMOINE: Okay. With regard to stranded investment, the natural gas industry is somewhat different than the electric industry when we talk about stranded cost. The natural gas industry doesn't have the physical assets like the electric, which have the generating facilities. The stranded assets that we're talking about are really our gas supply portfolio. It's our capacity contracts and possibly supply contracts. In our case, it's just capacity contracts.

I believe that, you know, again, we've addressed this in our tariff here. In the tariff that was approved yesterday, we have a provision for a transition adjustment charge in the event that there is a large migration of customers to transportation. If we see a lot of customers migrate, those costs that we have incurred, we have the ability now through that transition adjustment charge to bill all customers, transportation and the sales, the cost of our capacity. So we shouldn't see any cost shifts.

You know, we are concerned with cost shifts. In all my customer classes here in Florida, I have competitive ceilings. The customers in our service territory enjoy very low electric rates. There's significant competition from propane on the commercial market. So I am concerned with shifts, and I think we did address that in our tariff that you approved yesterday.

With regard to slamming, I don't see this as a real big issue. We've not experienced any slamming on any of our systems. I feel that the process that we have in place for small commercial customers really would discourage it. I think the issue here is that we do put provisions in our tariff that would allow us to detect slamming in the event that it occurs, and I think we should have provisions in our third-party supplier or our marketer tariffs that have significant consequences if it does occur. But I really don't see it as a major issue.

With regard to excess capacity, this is similar to the stranded investment. Our capacity is reviewed annually in the PGA, or the PGA is audited annually. And just with the competitive price ceilings here, we really have no incentive to incur additional costs for excess capacity. We have incentives in our tariff to market it off-system to other end use customers or other marketers or LDCs in the state. So we do have incentives to reduce any capacity.

And the last issue, marketing affiliate rules, we currently operate -- NUI Corporation currently operates in a number of states that do have marketing affiliate rules. We support marketing affiliate rules. We do believe that, you know, our affiliate should be able to compete and it should be a level playing field. We believe that there should not be cross-subsidies, that there should not be any preferential treatment of our affiliate, any discounts, rebates, or anything of that nature, that they are offered on a nondiscriminatory basis. We don't believe the utility and affiliate should speak on behalf of each other. There should not be tie-in agreements and so forth.

But we do have an interest in keeping the pipes in the ground full of gas. In Florida we haven't moved to the point where anyone is suggesting that we are not allowed to be in the merchant role as a regulated utility, but we think that our affiliate should be able to compete on a level playing field with all marketers.

CHAIRMAN GARCIA: Let me ask you a question. It's a basic question.

MR. DeMOINE: Okay.

CHAIRMAN GARCIA: Why are you in this position? The other companies that own the assets in Florida that are not marketers are telling us that this is a very dangerous step that we're taking, that the residents may be hurt, that all sorts of things may happen.

Being a South Floridian, and having had lunch with Mr. Palecki on many occasions, I've seen his company down there, I've seen -- so you're in the same position, I would assume, that TECO is in terms of assets in the ground.

Why is it that your company doesn't see -- what makes your company different, or what makes your company capable of adapting that doesn't make them capable of adapting? Where do you see the distinction comes in?

MR. DeMOINE: I think the primary difference is that we have the experience in the other states. You know, we're further along in the other states. We've been developing the systems. We're more comfortable with it.

And we've seen that, you know, marketers, as long as there's the right terms and conditions, the creditworthiness standards, the operational fitness standards, so long as the right conditions are in our tariffs, marketers can deliver and can deliver on a reliable basis. So we have a comfort level there.

In Florida, you know, I'm concerned with the competitive price ceilings. If marketers can give my customers gas at a lower price, that's beneficial to the customers, and it will keep gas flowing through the pipes.

CHAIRMAN GARCIA: Tell me where their argument doesn't work. I don't want to pit you against everyone else, but you've taken a position, and I guess you're in the middle, in the sense that you do what TECO does, and their position is much more radical. Where do they make the error in assuming that their assets will be devalued to some degree and the customers will be hurt?

MR. DeMOINE: I don't think the assets will be devalued. We don't earn any money on the sale of gas as a utility. The gas costs are a straight pass-through. We earn our money on the gas moving through the pipes or being transported through the pipes. So we are financially indifferent. I don't see how we would be harmed if the marketers serve our uses.

There are a lot of issues that need to be addressed, and I think we are addressing them here. But, you know, I just don't see how they would be harmed.

COMMISSIONER JACOBS: How many customers did you say you have on the transportation --

MR. DeMOINE: In Florida, we have approximately 100,000 customers.

COMMISSIONER JACOBS: And do you know how many of those are transportation?

MR. DeMOINE: Not offhand.

COMMISSIONER JACOBS: A percentage?

MR. DeMOINE: I've guessing 300 to 500. It may not be quite that many. I'm not sure of the number. I would have to check.

CHAIRMAN GARCIA: I'm sorry. What was the question again?

COMMISSIONER JACOBS: How many of those were transportation?

MR. DeMOINE: I don't know the exact number. It's a significant portion of our volume, because we have some large volume customers.

COMMISSIONER JACOBS: That was my next question, because I saw the --

MR. DeMOINE: I would think that it's in excess of 50% of our volume, but I would need to confirm that.

COMMISSIONER JACOBS: Okay. You indicated that you essentially do the screening for the marketers through your tariff.

MR. DeMOINE: That's correct.

COMMISSIONER JACOBS: How effective is that?

MR. DeMOINE: Well, in our tariff, we have fairly significant creditworthiness requirements.

Those creditworthiness requirements are

imposed by many of the major pipelines. Those requirements enable us to look at financial statements. We do Dun & Bradstreet checks on them to make sure that they have a good credit rating. And to date, in any of our jurisdictions, we've not had a marketer default. We do have one marketer that I believe we have required a corporate guarantee on, or a bond, because we weren't comfortable with their credit. But I think we've been successful.

COMMISSIONER JACOBS: Do you have to look at -- or I guess do you look at their track record in terms of customer service?

MR. DeMOINE: Generally that's not one of our criteria when a marketer calls and signs up. It's really their financial abilities.

COMMISSIONER JACOBS: Okay. Thank you.

COMMISSIONER DEASON: Have you rejected any markers as being unacceptable from a financial standpoint?

MR. DeMOINE: Not to my recollection. Not to my recollection.

COMMISSIONER DEASON: Since you have a marketing affiliate, if you have the ability to weed out unacceptable marketers, is that a conflict?

MR. DeMOINE: No, I don't see that being a conflict, because we would apply the same criteria to all marketers. I don't see that as a conflict.

CHAIRMAN GARCIA: Mr. Schneidermann?

MR. SCHNEIDERMANN: Yes. If I can interrupt for a second, I may have some information that may help a little bit. Concerning the numbers of transportation customers on NUI/City Gas's system, as of the end of 1998, according to our 10K, it was only 125 customers out of 4,748 customers. So there was a relatively small percentage of customers on transportation in NUI/City Gas property.

MR. DeMOINE: At that time our tariffs were limited. Only customers greater than 120,000 therms a year could be -- could transport. And that's probably a large percentage of those customers. As of yesterday, I think we'll see a big change in that.

CHAIRMAN GARCIA: Thank you, Mr. Schneidermann.

MS. PENNINO: Chairman Garcia, would it constitute a free-for-all if I responded to your question about the differences?

CHAIRMAN GARCIA: No. I'll allow it, because I would like him to completely respond to my question, and if you want to take that on, go ahead.

MS. PENNINO: Well, just a few things come to mind as far as why we would view this rule differently.

CHAIRMAN GARCIA: And, Mr. Palecki, I'm going to ask your client to respond to her comments, because it's really important to me.

MS. PENNINO: I don't know that we do have totally different perspectives. I think our perspective varies only when it comes to the need for a rule. But I think we both see the benefits of unbundled transportation service. But there are a few differences. Number one, the size of our systems are significantly different. I believe City Gas -- and maybe you could help me -- has in the neighborhood of 4,000 to 5,000 commercial customers that this rule would apply to.

MR. DeMOINE: That's correct.

MS. PENNINO: We have over 25,000.

We have 2,600, 2,700 transporting right now, so we almost have as many commercial customers transporting right now as they have on their total system. So I don't know that our positions are actually that different. So size is certainly a concern.

Another thing is, via the NUI affiliation, they have systems in place -- I'm assuming they do, based on their response to the data request for costs associated with this rule. They have the systems in place, and they do, as he said, have the experience to implement a system like this, where we're working our way through it still, and that's a concern to us.

CHAIRMAN GARCIA: Don't you think that's an artificial concern? You're wanting me to hold up competition or not promote competition because you don't feel that you're ready for it? I mean, aren't you in the business of being ready for it? Aren't you in the business of moving this issue forward? And why should I sort of be protecting you when the market across the country is moving very aggressively? Why should I?

MS. PENNINO: And we are in the middle of it. The gas management system that we -- the gas management system gives us the ability to accept other people's gas and move it around on our system. And that system that Brent referred to as costing over a million dollars is large enough to deal with unbundling all the commercial customers. So we didn't put a small system in place just to limp along. We are planning for something larger than that.

But there are several processes that come along with implementing on a large scale. We need to be able to mainstream these activities into our call center and into our regular processes for dealing with customers, and we've not been able to do that yet. All these things are in the works, and they're not insurmountable by any means, and we're taking them head on.

So it's not artificial. It's just a matter of the process and the pace of the process for where, you know, it makes sense with the customers and isn't an Atlanta model, where it's so quick that it really leads to a lot of confusion.

I think the other thing is, Florida is simply different related to our loads. We have one-third of the load of Atlanta, let alone the northern states. And so --

CHAIRMAN GARCIA: Since it's such a limited market, wouldn't you want to -- you know, I sort of think of the long distance argument, you know, about lowering long distance rates, that when I allow a lot of players to come into the market, they're going to stimulate this.

Part of the issue is technology, I think which we all agree, and we all think that the future holds tremendous benefits through distributed generation and other things, and gas is going to be a central issue too.

But don't I better your position and better that of Florida by creating a little bit of chaos and let them out there? I don't regulate long distance rates and costs, and so when I let these guys go out there -- I mean, AT&T doesn't give me seven cents a minute because it thinks it's a good idea. It does it because it has to.

And that being the case, if I do the same thing here in Florida, I'm probably making your system stronger, and at the same time offering all sorts of advantages, at least to the larger customers in Florida, and making sure to some degree that I can protect the residential customers.

But in the broader sense, I do your business good. It may hurt right now. I mean, all competition hurts. If you were here yesterday when we ended at 7:30, you saw that even the thought of competition is very frightening. But I think in the long run, you're in the ground, you have your assets there. I don't see how this hurts you, and I don't see how in the long term it doesn't benefit us all, including you, in fact, in particular you.

MS. PENNINO: And again, I'll state our position that we believe that unbundled supply is a great thing. You've got the graph in front of you to show you that we're doing it, and we've done it. Our FTA-2 program is an example of how we firmly believe that letting competition in will encourage -- will stimulate the marketplace. You know, the point there was to let the marketers in to market and to sell more natural gas, and we firmly believe that that potential exists.

So I'm in agreement with you. I just think the point is that as it relates to why Florida is different and the size of the load, the issue is whether or not the marketers will even be interested in the area, whether that will be a long-term, viable solution for customers, with very low margins to be made, and as well, whether or not we've got the resilient customer base who doesn't even spend that much money on gas in the first place. Are they even going to want to be bothered with, you know, suppliers calling them and the confusion and the complexity that gets added when you have --

CHAIRMAN GARCIA: That reminds me of the calls I get at 6:00. You know, when I speak to my grandmother, she says, "People call me at 6:00 to offer me long distance. I don't make long distance calls. I don't care. I don't want to" -- it's sort of like saying why do we need 24 coffee brands. It's just confusing. It's aggravating. It takes up shelf space at the store. It makes us walk five feet longer every time we go to the market. But why not? I mean, how does that hurt the customer to have a choice? It may not be a big choice, and the margin may be low, but the customer is clearly benefited if the possibility exists; right?

MS. PENNINO: Well, I agree. And again, we believe that the transportation service makes sense.

COMMISSIONER JACOBS: Let me ask you this, although it may be better to ask the marketers. Are you aware if they do aggregation or not?

MS. PENNINO: Excuse me?

COMMISSIONER JACOBS: Do you know if marketers do aggregation or not?

MS. PENNINO: On our system they aggregate, yes.

COMMISSIONER JACOBS: I would think that that would be a countervailing factor, if you will, to the fragmentation issue that you addressed. I would think the marketer is going to want to find as much as possible customers that they can aggregate to give you the firmest load that they can give you.

MS. PENNINO: We agree. We believe that

aggregation makes sense. It helps us somewhat from an administrative perspective, and we agree that it makes sense.

CHAIRMAN GARCIA: Mr. Palecki?

COMMISSIONER DEASON: Well, let me just make an observation. Mr. Chairman, you've made some very good points, and there probably are 24 different brands of coffee in all the supermarkets. But you probably don't have 24 different suppliers of snowmobiles in Miami either, and you may have that many in Minnesota or Canada. I don't know how many people make snowmobiles. And at some point, it's just economically not feasible. It's more efficient to limit choice and provide the service as most cost-effectively as possible to customers, and we're trying to reach that balance.

CHAIRMAN GARCIA: Right. I understand.

MR. PALECKI: I would just like to make two very quick responses. Aggregation system-wide is great. But if you're a marketer and you're trying to serve Publix, aggregation statewide is much better because it allows the marketer to get a lower price for the entire state.

As far as the difference between City Gas Company and NUI and some of the other companies, I think the main difference is that because of our experience, we have reached the realization that lower gas rates for our customers is better for NUI. It helps us better compete with other energy sources, better compete with oil, coal, propane, and electricity. And we've found that unbundling is a benefit, and it has taken us several years of experience to realize that. We were originally forced to unbundle in the early stages.

COMMISSIONER JACOBS: Does it add to your bottom line?

MR. PALECKI: It adds to our throughput. I believe it does. Ray can probably answer that.

CHAIRMAN GARCIA: I would assume you wouldn't be here if it didn't add to your bottom line; right?

COMMISSIONER JACOBS: Right.

CHAIRMAN GARCIA: I mean, you wouldn't --

MR. PALECKI: I think that's correct.

CHAIRMAN GARCIA: -- do something that would hurt your stockholders; right?

MR. PALECKI: I think that's correct.

CHAIRMAN GARCIA: Or you wouldn't be doing this for very long.

COMMISSIONER DEASON: But does it add to

your LDC company's bottom line or to your parent company's bottom line?

MR. DeMOINE: The actual rate design does not. It's revenue neutral in all of our jurisdictions. However, by keeping the prices low, hopefully we increase throughput or will keep customers on the system. You know, if we lose a customer to oil, propane, electricity, we lose all of our revenue. So in that respect, it's a good retention, as well as possible improvement of revenue.

MR. PALECKI: We have had customers -- our largest customer about six years ago went over to coal, and remains on coal. We're trying to get that customer back. Through unbundling, we may be able to get a rate that's low enough to get them to come back to our system, which would be a wonderful thing for our company. It would increase our throughput significantly.

Anything that can be done to increase the competitiveness of natural gas is beneficial to our company.

CHAIRMAN GARCIA: Okay.

MS. BANKS: I think we're -- does anybody else have any other comments? Because I think we need to finish with the marketers here for their comments on the issues.

MR. SCHNEIDERMANN: This is Marc Schneidermann.

CHAIRMAN GARCIA: No, you've had your shot. You can come back when we have the free-for-all.

MR. SCHNEIDERMANN: Okay.

CHAIRMAN GARCIA: Okay. We'll start at the left and move right. Do you want to make a comment, Mr. Lorenzo?

MR. LORENZO: We just would like to make a comment. The Florida Department of Management Services, as far as the obligation to serve and the supplier of last resort concern, as the Department sees state-owned facilities take part in the state term contract, we believe that the LDCs -- and we agree with Staff's view that the LDC would automatically be the supplier of last resort.

However, we are concerned and we do believe that contractually the customers that do buy the transportation gas through the marketer should be fully made aware that the LDC will not be responsible for the firm gas delivery, just the same as the LDC's own interruptible customers cannot hold the LDC responsible for the firm gas delivery itself. Just a general comment on that.

And as far as the aspect pertaining to the stranded investment and the excess capacity, we see that it will have an impact, yet to be determined, on the captive customers. And there is a need, however, that there be a fair method used to be implemented to cover some of the major portions of whatever impact there may be. And perhaps there is a need to look at what other state commissions have done.

That's just our department's view of these two issues. I apologize for not actually contributing or offering anything in concrete, but it's just general observations of some things that we're just sitting back and waiting to see how it's going to develop.

MR. BLAZER: Once again, Rich Blazer with Infinite Energy.

On the issue of obligation to serve and supplier of last resort, I think what we're looking at right now is the LDCs unbundling further from the point that they are currently. And from that point would be more of the firm commercial, small industrial size loads.

I've been supplying gas on TECO's FTA program since the inception. I have a requirement to deliver a certain amount of decatherms every day, 365 days a year, to my customers on the FTA program. If the decatherms do not show up, I as a pooler on their system will have between a $10 to $15 decatherm penalty, which is three to four times the cost of the gas.

COMMISSIONER JACOBS: Let's say that you're operating legitimately, and for some reason there are issues with the pipeline, and you have to go out on the spot market. You have the option to do that independent of the LDC.

MR. BLAZER: Correct.

COMMISSIONER JACOBS: So you can replace something that would not normally show up with your own alternative source; is that right?

MR. BLAZER: You are correct.

The actual volume of my supply that goes to the small industrial, commercial, and my industrial loads on Florida is very minimal. That gas when I schedule it is my highest priority gas, meaning if I lose supply in the supply or the pipeline has problems, that gas is the last gas to get cut. So if I have 50% of my supply I lose, and the other 50% keeps going, that is one of my number one priority gas to go, because I have penalties, $10 to $15 a decatherm for that gas to show up.

Every day since January of 1996 that I've been serving gas supply for my customers, my gas has shown up, because I'm avoiding $10 to $15 penalties, which will eat up my margin very quickly.

Now, you may have suppliers that don't supply their gas every day of the year. The LDC could look at being the supplier of last resort. Or if the gas doesn't show up, I'm willing to supply the gas at $15 a decatherm and take the charge that they would charge the marketer, and I'll do that within the day.

I have to buy my gas today for tomorrow for it to show up. If I find out tomorrow that my gas did not show up, I resupply my gas, find other suppliers and get the gas to my markets. I can do that that next day. If the supplier's gas didn't show up, as a supplier of last resort, I would supply the gas to the LDC that they would need for a $15 charge.

So as a supplier of last resort, yes, the LDC could be there, but also, if the LDC did not receive the volumes and did not want to be, I believe you could bid out marketers, and marketers would give bids on being a supplier of last resort.

COMMISSIONER CLARK: You know, it sounds like to me you're saying you don't need a supplier of last resort.

MR. BLAZER: The LDC needs the volume to serve the customers. If the gas is not in their system as they're sitting there, they're going to lose pilot lights. We're going to have to turn pilots off. And that's a lot of cost for the LDC to go out and turn suppliers off, turn off the customers.

COMMISSIONER CLARK: Let me be clear. A supplier of last resort in the long term -- I would agree that for some short term they would need to provide that gas. But it doesn't appear that they need to be the supplier of last resort in the long term.

MR. BLAZER: I would agree.

Some of the LDCs have a balancing charge daily to their interruptible customers that are large volumes -- that have large volumes and moving volumes on their systems. And they can look at those volumes, and if the gas doesn't match on how much volume you're sending to how much the customer is using, that customer can receive a daily balancing penalty for not having the correct amount of gas or have to buy system gas from the distribution company that day.

The distribution company did not -- as an example, on this day, the distribution company may not receive a penalty from the pipeline, the interstate pipeline, but yet they're charging the interruptible customer who is moving gas just because they were 10% off of their volume a penalty, even though they didn't get a penalty on the interstate pipeline.

Sorry to go off on a tangent.

Also, as to the obligation to serve, I have been a supplier of last resort for an LDC in the state. My gas showed up for my interruptible customer, and then it was taken away from the interruptible customer because the LDC needed the volume. So my volume was taken away, and I believe I was looked at as a supplier of last resort because the LDC could not get the volume to the facility.

COMMISSIONER JACOBS: That's the confiscation issue?

MR. BLAZER: Confiscation, yes.

COMMISSIONER JACOBS: Okay. I understand the rule that we're proposing says that that can only occur in force majeure situations. Is that present practice?

MR. BLAZER: Yes.

COMMISSIONER JACOBS: So somebody declared force majeure?

MR. BLAZER: Yes.

COMMISSIONER JACOBS: Whatever that fancy legal term is.

MR. BLAZER: Yes.

COMMISSIONER JACOBS: Okay. How do you -- what kind of controls can you put on that to ensure that it is absolutely necessary? Because it sounds to me that could start a chain reaction.

MR. BLAZER: I don't know how to put the controls on to make sure if a force majeure should have been called or not. My gas was able to show up at the facility, at the city gate.

COMMISSIONER JACOBS: So it didn't disrupt your delivery.

MR. BLAZER: No. At the time it happened, gas prices were much higher than they were at the beginning of the month. But, you know, there's no way for a marketer to go in and see why exactly a force majeure was called and their gas was confiscated to the interruptible customers.

Also, we're a marketer in Georgia behind Atlanta Gas Light, and Atlanta Gas Light every day tells us how much volume to send to the facility, to Atlanta Gas Light for our customer base. And if one decatherm does not show up for that in Georgia, we'll get a $30 per decatherm penalty.

I believe in putting penalties for gas not showing up by suppliers. I think it's a good incentive for the marketers to make sure their gas shows up. It gives them no reason or no way to undersupply or oversupply the facility. And it's a good way to keep companies out of the market that aren't going to serve the customer well. And if they don't serve the customer well, then they won't be able to be there much longer with all the penalties.

Also on supplier of last resort, as a marketer, I want my customer to use as much gas as possible. The more gas they use, the more money I make, because I'm charging on a per therm usage, the same as the LDC. We both want the customer to use as much gas as possible. The LDC gets paid on throughput. The LDC doesn't want to go and turn off small commercial customers because the supplier's gas did not show up. They want that gas to keep flowing to the customer, because, (1), they want to keep the customer happy, and (2), they want the volume for their throughput so they can make it on their transportation charge.

On the stranded investment, we acquire capacity on a daily basis from TECO and City Gas to serve our small industrial and commercial customers. So both systems do it a little differently, but we pick up the capacity at a rate that they have decided from the interstate pipeline and supply the gas to the customer, and then the LDC gets paid. They alleviate that cost from them having to pay for that capacity.

I have no problem as a marketer picking up capacity at max rate from the distribution companies to serve the firm and commercial loads.

On the potential for slamming, in AGL, our customers have been slammed up there, our commercial customers. There's a $15,000 fine per incident per day, so if they had switched -- had slammed your customer for the whole month, that's $15,000 times 30 days for that one customer.

I believe in punitive damages to marketers for slamming. We do not slam customers. The reason it's easy to slam customers in Georgia is because they have -- the way that you can switch a customer is just type in their account number. And all you have to do is provide this new account number to switch to you, and that customer has become a customer of yours. There's no paperwork that needs to go. The LDC doesn't have to see that this is correct that that customer is signing up.

If the penalty is large enough and there's a way for -- an easy way for the slamming to be reported, you can even have the marketers policing the system themselves.

Currently in AGL, I have to get the end use customer to send a request to the PSC and to Atlanta Gas Light to tell them of the slamming incident. We've got customers that are making burgers and waffles, and they're working on other stuff, and watching -- it's just an aggravation to them. They're still getting their gas supply. Someone else is just supplying it now. Maybe even something to the effect that if they're slammed, they don't have to pay the bill from the company that slammed them.

What we do in Atlanta Gas Light is, we make sure we have signatures from all the customers on file before they're switched so we have something to show that that customer did agree to choose us as a supplier, because one incident of $15,000 for 30 days would hurt my bottom line.

Also on the slamming issue, one of the things to do is to keep out the companies from marketing that are not, for lack of a better term, good marketers, or people that are preying on people that don't know what they're doing.

To be a natural gas marketer on Florida Gas Transmission system and to pick up capacity to serve the customers, the firm loads, behind these distribution companies, you have to have capacity -- I mean, you have a credit at Florida Gas Transmission, the interstate pipeline, before you can move one decatherm of gas. The intrastate pipelines, the LDCs, also require creditworthiness before they will let you supply their gas customers.

The business is very capital intensive. You have to have credit to buy your supplies. You have to have credit to move your gas transportation on the interstate and on the intrastate pipelines. And those credit requirements at the interstate and intrastate levels should keep out many companies that can't perform or will not be able to provide the services that they're letting their customers -- telling them that they're going to serve.

One of the other -- someone else brought up something about the Peachtree Natural Gas Chapter 11 in Georgia. Peachtree filed for Chapter 11 for protection from creditors, and Atlanta Gas Light and the Public Service Commission turned to an interim pooler, somebody that was going to be assigned all their accounts to serve so the customers continued to get their gas supply.

Originally Atlanta Gas Light said that they wanted to be the interim pooler, and the Public Service Commission said, "Well, let's bid it out and see what we get on our bids." They bid it out, and they gave it to another company to be the interim pooler. If someone has credit problems or there's problems that the gas is going to show up from a certain customer, that interim pooler is designated to serve the supply.

COMMISSIONER CLARK: Sounds like the interim pooler is the supplier of last resort.

MR. BLAZER: Yes.

One of the -- on excess capacity, on that issue, one of the speakers mentioned that if they have a customer that changes their load requirement by adding new boilers, adding a new facility, adding a new building, this is not volume that they had anticipated. It increases the load for the system, and it's good for a marketer, and it's good for an LDC. What you want to continue to do is increase throughput. The more volume the customers use, the more volume your customer uses, the more volume you can bill them on.

I believe the LDCs when they signed up for capacity 10, 20 years ago and are resigning up for capacity now, they're looking down the road to make sure they have enough capacity to serve volumes when customers ask for more volume or are increasing their load. There will always be ---I mean, the goal of the marketer is to keep your customer using gas. I have customers that I have to compete against waste oil. I have customers that I've got to compete against oil, customers that I've got to compete with electric. And I make sure with the LDCs that we supply the gas at the best rate to make sure that the customer stays on gas, because if the customer switches to an alternate fuel, I lose a customer, and so does the LDC.

On the issue of marketing affiliations, that's a tough one. We compete against marketing affiliates in different areas. And one of the things that I've seen in all the areas is that when the marketing affiliate uses the distribution company's name, it's very hard for the customer to see any delineation between the two. They do not see a difference between Company A Marketing and Company A Lessee.

This was fought for in Atlanta Gas Light's area for Atlanta Gas Light not to be able to use Atlanta Gas Light Services or Atlanta Gas Light Marketing. And the PSC in Georgia decided to let Atlanta Gas Light market in their area, but they had to have a different name, and they go as Georgia Natural Gas, still being able to use their logo and still being able to say they have an affiliation with the LDC, but not using their name.

That's one of the tough things of selling to a customer, is that the customer thinks that if they're buying from so-and-so gas services or so-and-so marketing services that they are getting their same supply from the same company that has been supplying them for 20 years, and it's just not true. They're getting the same transportation and the same services to make sure that that pilot light is lit and that they have the gas supply at their restaurant to do whatever they're doing, but that marketing company is a new -- should be a new company and a completely different subsidiary, out of the same building, not on the same computer system.

Any information that the LDC's marketing affiliate has should be shared with all marketers marketing in those areas. That's one of the really tough things to separate, is the feeling for the marketers that are marketing in the area, is that the marketing affiliate has almost all the information that they need. Trying to market in areas where you don't have customer lists, knowing where the pipeline goes, knowing who to call that uses natural gas -- I mean, you can look in a phone book and call anybody in that phone book, and I'll bet you 100% of them use electricity. But you can't do the same thing with natural gas. So as a marketer, you're looking trying to find who are the customers that could be using natural gas.

Once again, as Infinite Energy, we're for the opening of deregulation and further opening deregulation for the customers. I have customers that are on the transportation agreements, the FTA in TECO, and customers that are on the SETS in City Gas. Many of my customers will be happy when they find out that it was approved yesterday.

It has been very tough telling one customer that you can't transport, you can't buy your gas from somebody besides the LDC because you're not a propane customer. You're not a current customer of the system, so you can't do it. But if you were, if you switched and we switched you to natural gas, then you could start receiving natural gas from me. But if you've been on the system for 20 years and you missed the FTA window in April and you've been paying that PGA for 20 years, you can't transport until they reopen that FTA or you find a marketer that can bring some load on in the TECO system, and then you can transport. But it has been very difficult for the customers to understand why they can't transport when they know restaurant B down the street is able to buy their gas from somebody else.

That's all my comments.

CHAIRMAN GARCIA: Okay. Sir?

MR. RICHARDS: This is Allan Richards with End Users Natural Gas again.

Regarding obligation to serve, I think this chart Peoples has produced depicts the 80-20 rule, where if you have 20% of your customers that are the largest load and they transport, then you probably have 80% of your throughput. And if you look at this on a cursory basis, '92, '93, '94, '95, prior to the FTA beginning, it appears that, say, 60 to 70% of their load was transporting. These are the larger customers. I believe that the threshold for those prior to 1996 would have been 500,000 therms per year load requirement.

Getting back to the Metritech or the automatic meter reading device that some others had said is essential for system integrity, if you take a look at the mix of customers on distribution's system and classify that as industrial, commercial, and residential, and the large load has telemetering, if there is a system problem of non-performance by the marketer, that telemeter is going to tell operations on the distributor that the system is being sacrificed and who's doing it. You're going to see the delta between the consumption and the delivery, the daily requirement that the marketer is required to deliver on a daily basis versus the consumption. And if that delta widens on a daily basis, the integrity is going to be harmed by the large 20% of the on-system users, the large industrials, whereas the 80% of the customers who consume 20% of the load, it's going to be less meaningful. And as a consequence, in most situations, the LDCs and the marketers have found that daily balancing, telemetering, to give contemporaneous time of use is not essential for small commercial customers.

In NUI's case in Elizabethtown Gas, when they had to have unbundling in 1994 for non-residential customers, they required time of use meter be implemented at the onset. This caused a significant amount of resources to be put on NUI for its implementation. The marketer and also the customer rang the phone lines, having access to the meter to put this on.

One year later, they realized that it wasn't essential, that by having AMRs for the small commercial customers really didn't give them any more control of their system that they would otherwise have if they used city gate balancing, balancing for the small commercial customers based on a monthly basis, that is, the estimated requirement of the small commercial customer relative to the actual consumption.

So it's my contention that system integrity will not be harmed where you have a mix of customers on the system where the large industrials are the highest load, are 70, 80% of the load, and the small commercial customers are a much, much smaller percentage.

If it is a requirement that all customers who transport have an automatic meter reading device, which is really not necessary, from experience -- now, all systems may be different, but I'm speaking generally -- then this could be looked at as a barrier to entry. This can be a way that an LDC can stop the system from opening up by requiring a $600 meter, a $1,000 meter or greater to be installed, when in reality, the highest percentage of the LDC system is by large industrials. And in that case, a telemeter on the large industrial is certainly warranted from an operational standpoint.

As far as the supplier of last resort, if a customer decides that they don't want to use a marketer, that they want to stay with the LDC, whether they pay more or what have you, they should have that choice. That should be an included choice also. I mean, if the distributor really wants to get out of the business, then there should be a provision when they put their tariffs together, if they have the flexibility, that they want to go to a third party to be the system supplier. There are third parties who will provide the merchant function for the local distribution company.

We believe that there should be significant penalties on the marketers for a failure to perform. If they don't meet their daily requirement, then there should be a penalty. The penalty should be backed up by a guarantee, whether it's a letter of credit, whether it is surety bonds, whether it is securities that are held in escrow by the LDC, a corporate guarantee, or what have you. If that marketer does not perform and the customers are harmed by their non-performance, then in the pooling agreement, which I believe -- the aggregation agreement, which I believe is essential, the penalties should be levied such that the LDC or their third-party contractor can break those securities, as in the case of Peachtree right now where the $11 million surety bond potentially could be broken right now. And that LDC should be able to go out and liquidate as damages to provide for gas for those on-system customers.

Relative to the daily volumes -- or excuse me, the monthly volumes, where you have consumption different than the delivered amount, that delta, there should be bands whereby if you're within the 5% window, the cash-out is done at some index, NYNEX, inside FERC, what have you. If it is 10%, that increases the penalty, 20% -- this can all be worked out. That's not a problem. That's something the distributors can put into their tariffs, which can work out that problem.

There are programs in place right now, such as Park and Ride on FGT, if I can't perform, something happens where my intrastate pipeline in Louisiana, Texas, or whatever, goes down, then I can draw upon a contract with FGT to make up for that shortfall. I can also replenish my Park and Ride or that agreement based on market conditions. If gas prices I believe are relatively inexpensive, maybe I don't want to move my production to market at these prices, I can replenish Park and Ride, or I can buy third-party storage. I can put it into storage and be able to draw upon that storage on an as-needed basis.

If a marketer fails to deliver and we have trading amongst poolers, at the end of the month, I'll be glad to sell $25 gas to a marketer who failed. You've got a market there. We would love to have that trading amongst ourselves if there is a failure to perform by the marketers. When you make the penalties high enough, that will ensure the delivery.

If they're high enough, you may find a marketer putting a peak shaving unit in. It's possible that you could have a facility in Tampa or Miami which could be propane driven, or you could have liquefied natural gas. This potential does exist. There's a liquefied natural gas line that's going to be brought up from Trinidad that's going to terminate probably in Louisiana. It wouldn't be hard to pull a branch of that and run that into Tampa.

This is some of the innovation that would occur if the penalties were high enough and the marketplace was left to provide for the supply if a marketer fails or if there was a market there.

Regarding stranded assets, and also excess capacity, the gentleman from Infinite Energy had made a statement that he doesn't mind paying max rates. Well, we don't mind paying max rates on take-back capacity from the LDC if the LDC is paying those maximum rates as well.

We firmly believe and we support that with unbundling, that the assets that were acquired prior to deregulation be passed through as they are now on Peoples' FTA and on the small commercial transportation service at City, that transportation be charged to the marketer by way of the native pipeline at their weighted average cost. And in doing so, the distributor who acquired those assets prior to deregulation is margin neutral, that their stockholders are not harmed. And we support that. But we don't support being charged the maximum rate of, say, 63 cents per decatherm when the weighted average cost of gas of the on-service customer is, say, 43 cents.

As far as slamming goes, I would urge that the distributor would have a letter of authorization which requires a signature by the customer, the ultimate customer, not just a verbal, "Here's my account number," that allows the potential of slamming, but the customer has to sign the letter of authorization. If that is done and a marketer signs the letter of authorization for him or makes a misrepresentation, that's a fraud issue. We've got the Attorney General coming in there. We're talking about criminal penalties here.

I don't think you're going to see the issue of slamming if the customer has to sign the paperwork and the marketer has to sign the paperwork, whereby if they made that customer change when they didn't want to, that was fraud. As long as the paperwork is in place, those penalties are really significant. So I don't see that as being a real problem.

Here again, the distributor in their tariff should have creditworthy requirements guaranteed by some kind of backup security so that if an abuse occurs, there could be a remedy.

Regarding the affiliate question, this is a difficult one. This is one where most marketers really don't want to be here making statements, because we have to work with the distributors. Understand that when we say things that are possibly not in the number one interest of the LDC, that it may harm our long-term relationship. We have to work with these people, and we value those relationships. We believe that the distributor should have an affiliate. If they want to participate in that, they should have that option.

There can be a lot of abuse, and you can imagine, being a marketer since 1986 in many, many different areas, we have seen some pretty tough abuses. We think in the long run, the market is harmed by it, and therefore, we really feel that affiliate rules -- and there are many different states that have adopted those. Or you could follow the National Association of Regulatory Utility Commissioners, the NARUC guidelines regarding them, so that we have transactions which are done at arm's length and guaranteed by the rule.

I think that if we try to make the unbundling issue very complex and we put a lot of caveats in this rule or this mechanism that it could forestall customer choice. I think that you can implement customer choice here in an expeditious manner if the LDCs were to propose tariffs for unbundling which have the safeguards of marketing affiliation, adopting the rules in there, supplier of last resort, where we have the guarantees that the marketer is going to perform by way of economic costs if they default. Slamming issues can be prevented by having the proper forms and documentations by the customers.

And you can move on very, very quickly to achieve the vibrant, competitive arena that I believe you desire. And you can do it quickly. You can do it without harm to the LDCs and their stakeholders. You can do it by keeping it very simple so it doesn't get bogged down in a lot of different dockets. And you can have a market where the ultimate consumer can really get fabulous rates, access to the market, which is going to benefit the Florida consumer.

We will beat our brains out trying to deliver gas at the lowest cost rate to the Florida consumer if we have to compete. We'll compete against the affiliate, we'll compete against one another, and we will perform.

And if we don't perform, then hit us with the penalties. Put us out of business. If we can't perform, the penalties should be substantial enough where they're not there anymore. This ensures the safeguard that the consumer is going to be protected, that he's going to have the choice to be able to reduce their costs if they want, and that the LDC is going to maintain their margin and have a partnership with the marketers so that they can defend against alternate fuel.

Thank you.

MS. BANKS: Commissioners, I think we're doing pretty good on time. I think that you might want to -- you said like a free-for-all. But can I get my five minutes?

CHAIRMAN GARCIA: Sure. But let's do this. You're going to get your five minutes, and we want to let them have a free discourse. You may end up being part of this, so why don't we take a quick lunch break, come back, you get your five minutes, and we'll let all of them take shots at what you said, and how you said it, and why you're wrong and why you're right, and then we'll close this up, if that's all right with you.

Commissioners, is that all right?

All right. So we're going to take a break now. We will come back at 1:45, and then we will go no more than an hour after that. Okay?

(Proceedings recessed at 1:10 p.m. and resumed at 2:00 p.m.)

CHAIRMAN GARCIA: All right. We're going to let Cheryl give her position or the issues she wanted to discuss. And then what we'll do is -- we're going to try to take less than an hour. And what we'll do is, we'll let all those who want to make a comment about what she said and the specific issue that you may want to take with that. That's fine. And then we will close up and maybe give you five minutes apiece to make a comment on this, if that's all right with everyone. And, of course, the Commissioners can ask as much as they want to anyone they want.

Cheryl?

MS. BANKS: First I would like to thank all the parties for coming once again here. I know this has been a long process, and I do appreciate your comments. Even if I don't necessarily agree with all of them, I still think that's a great tool and that the Commissioners are hearing a lot about the industry, which I think is really great.

In general, what I just wanted to say was that I think -- you know, we've talked about and you've heard a lot about the different sides of the issues, but I think the bottom line is that these are all items that can be worked out. I think it's just going to take some work on all the parties' parts, and I think they can be resolved.

There are a few comments that I did want to make, such as an obligation to serve.

Commissioner Jacobs made the comment about backup service. That was one of the items that we had put in the model tariff that says -- we had required the utility to offer backup service to these customers, but it would have been the customer's choice whether they chose to take that service.

This was similar to the FERC requirement that they did when they opened up the system and they required the pipelines to provide no-notice service to very small customers. This was to get them on board and get them used to the process, and there was a time limit for which this would be in place until they felt the small customers were accustomed to this. And that is definitely one possibility.

One thing that I think we need to remember is that all LDCs right now, they have provisions in their tariffs for all these issues, essentially. And they all screen for marketer criteria, because they have marketers on their system right now, and they have to have something that screens them right now. So these aren't necessarily new issues. Perhaps the only issue that I don't know if it's addressed in some of them that I haven't necessarily seen is the issue of slamming, but that indirectly is done through the signing of contracts.

So I just wanted to mention that it's not necessarily new, and that we are addressing these now. And they have to be, because they're offering transportation service right now.

Another thing to keep in mind is that when we were talking about operational tools, is that 75 to 80% of the gas on FGT is for electric generation. There's a very -- if you look at the big scheme of things, there's a very small amount for LDC, and even a smaller amount that could actually impact the system integrity of FGT. In fact, from previous conversations with FGT, TECO/Peoples is the only one who takes enough load that could possibly impact their system dramatically if everything messed up on their system and there was no gas coming through. Then at that point, FGT's integrity, you know, has a potential to be in jeopardy.

But collectively, when you talk about, well, if the marketer's gas didn't get in and then we jeopardized the system of this, that, and the other, I don't think that's a possibility. The LDCs on a whole don't use enough gas collectively.

One of the comments that was made, you were talking about threshold that I know that Brian Powers had mentioned from Indiantown. When we were first working with the rule, we had originally done this and said a 50,000 a year therm threshold. And after we discussed this and thought about it a lot and talked to a lot of people, Wayne Makin and I determined that that was probably not a good idea. And the reason why is because what happens when you get to somebody who's got 49,500? What do you have at 37,000? I mean, why 50,000? We're trying to find, you know, is there a break here.

You know, if you've got really small customers in your small commercial category, if it is not cost-effective, they're not going to transport. That's plain and simple. The marketer is not going to be able to make it cheap enough for him, so it's not going to even be a possibility. So if you offer it to all, only the ones that it's going to end up being cost-effective to the customer and the marketer is going to offer are ones that are going to actually take place.

So I don't think that poses a problem when you say, well, gosh, all these people are small, well, then it won't happen, unless, of course -- here's another instance. I may have a small fast food restaurant, and I think, gosh, he's so small, why would he do this. But if he's got six other ones that are 20 miles away in another LDC's territory and this marketer can aggregate all of it, it just may become cost-effective. So it's not necessarily -- it's hard for the LDC to look beyond the scope of its own operations. And in my opinion, if the utility's transportation rates are cost based and reflect the actual cost, then they will not be at a loss.

Now, maybe that will require some of them to come and re-evaluate the costs that are in the rates that are embedded right now. LDCs haven't been in for a rate case in a long time. And what we've seen is that -- you know, how the transportation rates were originally set was that they took the base rate that was sales service and just -- it became now the transportation rate. And the only difference is that they didn't pay a PGA.

Over time, there's been a lot of additional costs that have been incurred. You know, you have people that you had to hire to do nomination and balancing for these customers. Those costs probably aren't anywhere in there in the base rates as they are designed, because they are old. And it may have costs that are in there now that shouldn't be. I can't tell you if they're right, because I don't know. But that is one thing that, if the costs are based on the actual cost to serve the transportation customers, the utility should be unharmed.

You know, we talked a lot about bankruptcies and potentials for this, that, and the other. And when you talked about Peachtree going out of business, I mean, these things happen. Peachtree was brand new. It wasn't an established marketer. That situation is being resolved. Here in Florida we had an LDC go bankrupt. Those situations may occur, and they will be addressed, and we'll work those out.

The force majeure was another issue that I kind of laughed about, because when Infinite -- Rich Blazer had mentioned about his gas being confiscated. An LDC at one of the workshops told me that there is no force majeure for a marketer. Nothing is a force majeure. If he doesn't get his gas, he failed. And I found that interesting, because in this situation, apparently there was something happened on the LDC that considered it a force majeure.

But like I said, these are all issues that I think, you know, we've talked about at length. I think they can be resolved. A lot of them we're already addressing in the tariffs as they are now.

I think that the rule is necessary, and the rule is necessary for several reasons. It's necessary because it's unfair now for certain customers to be able to transport and others not. It is confusing to the customer who owns a Wendy's in one area and he can transport, but in another he can't.

I think a lot of the utilities will agree that if some concessions aren't made to bring transportation to these customers, they will either go out of business, they will leave, or they will move to another territory. We have seen it actually happen. When one customer who used 400,000 therms could not get transportation service years ago, he moved his business about 100 miles so that he could get it on another system. This will happen. People want the choice.

Right now, again, it says, well, people may not want it. That's possible. But again, you don't know that until the service is offered.

I do want to ask, if I could, the marketers something, because this was brought up. And I made an assumption since you did that you were interested in serving these customers that we were talking about, these small commercial. But I do need ask this. Infinite, End Users, if anybody else would like to comment, are you interested in serving the small commercial customers in Florida?

MR. BLAZER: Infinite Energy does want to serve the small commercial customers, and is currently in the areas where we can.

MR. RICHARDS: End Users Natural Gas currently serves small commercial customers and will continue to do so.

MS. BANKS: Okay. That was the question that was apparently -- you know, are the customers even interested?

I also would like to ask the marketers one question, the same question. Do you have currently customers that are on your system who would like to transport now but are unable to because of the threshold requirements in areas or who do not offer transportation service at all?

MR. BLAZER: Infinite Energy does have customers, potential customers on distribution systems in the State of Florida that are not allowed to transport because of thresholds and because the programs that were available to others at a certain time were closed.

MR. RICHARDS: End Users Natural Gas was encouraged by Staff to continue to market in Florida to small commercial customers. And based on the needs of the consumers and wanting to have access to wholesale natural gas supplies, we continued to market in areas that are closed. And we do have a number of small commercial customers that want to have access to the wholesale markets. These are on-system customers. And currently they cannot, and they are very frustrated because of it. We have not directed their irate calls that we get as to why they can't have access to Staff or to the Commission nor to the LDCs, but we have tried to arrest their concerns of not having access by saying that this is not a simple process, but it will be coming shortly.

CHAIRMAN GARCIA: Do we have that? I think part of the issue is that, you know, we don't know what's out there. Would you suggest that we have hearings with some of your customers to get a better feel of what's out there?

I mean, it amazes me, for example, that the Chamber of Commerce isn't here asking or clamoring for this, or Enterprise Florida is not clamoring for this.

MR. RICHARDS: If I could respond to that, Chairman.

CHAIRMAN GARCIA: Okay.

MR. RICHARDS: They have their businesses to run. And if you take a small commercial customer, a restaurant, he's got all kinds of problems. He's got labor problems, he's got environmental problems, he's got permitting problems, he's got food supplier problems. He has a shortage of resources, and a lot of them operate on a day-to-day basis with no plan.

To put it in perspective, at the FERC First Notice of Inquiry back in 1980 to deregulate the interstate pipelines, there was just a handful of the large, large industrial users that showed up. General Motors wasn't there, Ford wasn't there, Weyerhaeuser wasn't there, DuPont wasn't there. To not have the end users here right now filling the space, clamoring for it, doesn't surprise me at all. They have enough problems just keeping their doors open, let alone trying to get access to the wholesale markets. They look to third-party vendors and suppliers to do the job for them. I mean, they will write letters, and we can get letters sent to you. That's no problem at all. They'll do that. But physically taking time out of their day to testify in front of you --

CHAIRMAN GARCIA: No, I meant should we be going to see them. But let me tell you, if you're not referring them here, you should. I mean, we --

MR. RICHARDS: Quite frankly, the Staff has limited resources. They have enough to do, and I know that you do. You've got a full plate, and you really don't need calls coming from --

CHAIRMAN GARCIA: But I think it gives us a sense of what's out there. I'm not arguing. I just -- I assume --

MS. BANKS: We do get a few.

CHAIRMAN GARCIA: I assume as a natural thing that you're precisely right, that if I'm a small customer, or I'm a small customer in an area and I'm trying to create advantages, you're absolutely right. Among getting lettuce for a cheaper price, getting gas for a better price is one of the things you do if you're managing a small restaurant or a chain of restaurants. So when you can get it in one part of the state, you want to get it in every part of the state, because, you know, 3% doesn't seem like a lot, but 3% over 10 stores is significant.

MR. RICHARDS: It is significant. And from their perspective, if they don't have access and they want access, they'll take it out on you. They will blame the marketer first. "You're not giving me access. There's others across the street that have access. They're realizing the savings. What the heck are you doing where I'm not getting access?" That's the first blame.

And at that point in time, trying to be a good corporate steward, we do not say that the program is closed and it's up to -- you better go to the LDC. We try not to do that. What we try to do is say, "The program is going to open. You're going to get access. It has taken us 100 years to get here. It's going to come. You're going to need to be patient." But I can tell you that the intensity level of some of these end users to want to get on can be pretty aggressive, and sometimes the language a little less than professional.

You know, we have to answer to them right now as to why they're not getting on. And it's very frustrating for them, because these savings go right to the bottom line. And they have a competitive disadvantage versus the guy across the street who has access. You know, they don't really want to know the whys and the wherefores as to why they're being barred from the wholesale market. They don't want to hear that. They just want to get the access, and they want to be able to run their business and go on with it and hopefully keep their doors open.

CHAIRMAN GARCIA: All right. Thank you.

COMMISSIONER JACOBS: I have a question for Staff real quick. I assume by your comments you don't agree with the premise -- and I can't remember who stated it, but one of the LDCs said that there is a breakeven -- well, I shouldn't say breakeven point. There is a threshold point where transport is not cost-effective. Could you --

MS. BANKS: I would agree with that statement. I would definitely agree with that statement, because if I'm a residential user and I'm only using 12 therms, unless you've got a marketer who can actually aggregate every residential customer in Florida, he's not going to make any margin on it. The customer's bill is averaging only $25 a month, so he's not going to save anything, you know, substantial, because probably $7 to $9 of that is a customer charge. And between that and the transportation charge, he's not going to save any money.

COMMISSIONER JACOBS: Would one of those customers naturally look to somebody who's going to aggregate them, or are they going to try and go and do their own arrangement? How is that going to happen?

MS. BANKS: I don't envision any small commercial customer will buy on their own. In fact, I was a little amazed at the beginning of the process of looking at unbundling in general at how large the customers are that still go to marketers.

They don't want to be in the day-to-day

business of buying gas supply every day and nominating. It would take a lot of time and a lot of expertise to have somebody do that. I mean, it's a full-time daily job. So they would rather leave it up to a marketer who's taking care of everything. They specify, they know the rate they're going to pay, they know what their savings are, and so they're comfortable with that. I don't envision any small commercial customer, unless they were part of one big corporate entity that had, you know, 600 restaurants nationwide, that would do that.

In fact, Indiantown and South Florida Natural Gas don't buy any gas supply themselves. All their gas is bought by a marketer. So if the LDC itself isn't going to take the time and the expertise to buy its gas supply, it's giving it to a marketer, I surely can't envision a small commercial doing that.

Just a couple more comments, and I will be finished here, if I can remember where I was after that.

We do get calls from companies, small commercial companies that are seeking to transport. Through several transfers, they'll finally get to Wayne or I. And we do talk to them and explain the situation. I have had situations where I had two competitors call me in a conference call and ask was there any way they could aggregate as commercial customers to meet thresholds, because while they were in competition with one another, at least they could both get a better price on the energy services. I thought that was pretty original. But I think that's the extent that some customers are willing to go.

The point I really wanted to drive home was that it is necessary for the rule to make the playing field equal. I mean, if you've got some that are going forward, I think that's absolutely great. It benefits the customers in that area. But it is difficult to explain to a customer why he can buy it here, but he's got another business 40 miles away, and he can't aggregate both. I have a hard time with us skewing competition based on location, based on the utilities' offering of such service.

Understand, the utilities have done this volutarily back in the late '80s. They have been doing this a long time. This is nothing new. We have been discussing this for many years even before the docket was opened in 1996. We had a large workshop here in 1994. In fact, the Department of Energy was represented, where we had marketers and LDCs present here to go through -- originally to go through and get feedback on unbundling generally when we were starting the process.

So it's not nothing that the LDCs haven't been exposed to, haven't been actually doing themselves. And I guess we keep waiting, and I guess after 10 years it's getting a little old waiting. And I think that the issues can be worked out, and I think there can be a way to do this that the utility doesn't feel burdened by 6,000 customers coming on. But the rule -- if totally every person that could possibly transport because of this rule came on the system, you're talking about 32,000 customers. And that's not going to be the case, because we know that historically the industrial customers, they're not 100% right now either. So the people who are actually going to take advantage of this, I will generally -- and this is just my professional opinion, is going to be less than 50%.

I mean, it's not like we're dealing with the electrics where, you know, you've got 6 million customers. We're talking about a very small amount of customers here, but just giving them the option, giving small customers the chance to lower their costs and compete within Florida. And I think that we tend to broaden this and make it a lot bigger of an issue than it really is.

And depending on how hard it's marketed, you can see -- I mean, there's a set number of marketers who have been actively involved in the state. And if we open this up a little bit more, you may have more active participants coming in. And the people that we have seen, these are the ones that are in the industry publications. They're familiar, and they will probably come down here and start marketing in Florida.

But I don't think you're going to have this massive, all of a sudden 15,000 customers coming and knocking on your door. I think it's going to be -- and I think that there's a way -- I know one of TECO/Peoples' concerns is what happens if the floodgates open and we've got all these people? Well, I think there's ways around that. I mean, you say, "Okay. We do it just like we did their FTA. We'll take 500 a month or 500 a quarter." I mean, I think there are ways to do it that will work. And each utility may be different, but I honestly do not think that this is as massive an undertaking as it might appear.

And I guess that's it.

CHAIRMAN GARCIA: Okay.

COMMISSIONER CLARK: Let me ask you one question. What about addressing the issue of whether or not there are companies that are too small for this to be cost-effective? If you could address the Indiantown.

MS. BANKS: It's hard to even address entities like Indiantown, because they don't even buy any gas supply themselves. So again, if he's telling me he's got 21 potential customers, I suspect that not even half of them would probably go to begin with.

Now, when we were talking about Y2K issues that could come up, we said, "What would happen if your system went down?"

They said, "Well, we could manually bill everybody."

So I think those are the issues with a small area like Indiantown. I mean, you could actually go out and look at the 10 meters every day. I don't think it would be a real big issue. I think you could actually -- he doesn't even need to buy a program. He could actually sit down there at the computer and do a simple spreadsheet on billings.

So when you have something that small, I still don't see a real difficulty there.

COMMISSIONER CLARK: Would it make sense to provide them the opportunity, to let them come -- that it applies to them unless they come in and make a showing as to why the rule should be waived for them?

MS. BANKS: I think that would be reasonable. I mean, that's why originally we put out that small unbundling tariff, to actually help them out by saying, "Hey. If you don't want to spend the money coming in and filing this and getting this all together, here, we're giving you something to work with, and then let's sit down and see what you think doesn't work for you, and let's see if we can modify that and work with you."

Again, I don't think the massive interest is going to be there. I mean, there's going to be, again, a select number within that small commercial classification that will be cost-effective for the customer and the marketer to do so, and those will be the ones that go.

CHAIRMAN GARCIA: Okay. We're going to -- I think we've heard it all, but if you need to say something, you've got five minutes. Say something to close it up.

Mr. Schiefelbein is indicating that he will say something, so I guess he's the final authority on what your lips do. So we'll begin with you, and then anybody else who wants to add something else, and then we'll close up this hearing.

MR. SCHNEIDERMANN: Thank you very much. Again, it's Marc Schneidermann, Florida Public Utilities Company.

From FP's perspective, as we mentioned before, and I'll just sum it up, marketer regulation is an essential part of an unbundling scheme. As Mr. Richards indicated, the commercial customers have a lot of things to deal with day to day. Lots of problems come up. Where will these commercial customers be without someone to turn to to handle any sort of problems that may arise, whether it's problems with the marketer being responsive, billing, general customer service questions between the commercial customer and the marketer? Marketer regulation is essential.

In states that we've heard about where unbundling has occurred, you may check, but most of those states have forms of marketer regulation. So whereas we're talking about the topic with slamming, it goes well beyond slamming. It's not just pure slamming. It's making sure the marketers perform properly.

Even when the information came up before about NARUC, in NARUC's guide for customers out looking for energy suppliers, they even indicate to ask your energy supplier if they're licensed or certified by the state. And this is a key item that has been presented by NARUC in a couple of different publications for customers. It's on their Internet site also for customers to ask that key question, and they call it a key question.

As far as marketers operating the system, I look at the group that has the largest potential for gain being the marketers, not necessarily the customers. Obviously, Mr. Blazer, we're familiar with his firm, and we're very happy with his firm. But he indicated he would come in and take care of supplying that penalty case at $15 an MM/BTU. It's marketers that stand to have the biggest gain as opposed to the customers' potential savings.

Things that we really need to make sure would be included if a rule was proposed is the allowance to be able to monitor customers' daily consumption, to be able to be sure that we're not going to shift costs from transportation customers to our core residential customers and other customers that are not transporting.

When I look at my customer base in sales, 87% of our sales go to commercial accounts. If there's even a small fluctuation in additional cost that's added to serve those accounts for transportation service, if that was put on the backs of our non-transportation customers, that could have a serious impact, and also could cause a loss of customers. We want to make sure everyone is happy with our services and the services of any supplier that they may buy their gas from.

COMMISSIONER DEASON: So how do we do that? How do we assure there's not going to be a cost shift?

MR. SCHNEIDERMANN: The only way you can be certain that there wouldn't be a cost shift is by allowing utilities to use the necessary metering equipment to monitor the transportation customers' usage every single day so it can be compared to how much gas is being put on the system for the transportation accounts.

COMMISSIONER DEASON: And you disagree with the argument or the position that many small customers -- first of all, that it's not economic to meter them, and that you can make an estimated -- an educated estimate as to what they're going to be using and aggregate all that together, and the fluctuations are going to be small, and it's not going to be a major cost shift?

MR. SCHNEIDERMANN: When you look at the customer profiles, individual customers, small customers may have minimal effect on additional costs that are incurred to provide the transportation service swings. But when you add up all those small customers, it could have a dramatic effect on your entire system.

If I look at our commercial customers, as I mentioned, we have about 3,700 commercial customers, and about 1,100 of those customers use less than 1,000 therms a year. So if I multiply that 1,100 customers by 1,000 therms a year, that adds up pretty quickly and could have a significant impact on the company's PGA when we have to go to buy gas to cover those customers' requirements when they're not met by the supplier, or by not having the proper telemetry and not knowing how much that customer going to be using on any day.

COMMISSIONER DEASON: Now, do you suffer economic consequences because -- well, you do not suffer economic consequences because one customer does not utilize the amount that his supplier anticipated he was going to use or used a little more than what his supplier anticipated. It's the aggregate of all those small customers how it impacts the marketer in total for that given hour or day. Do you agree with that?

MR. SCHNEIDERMANN: I agree with that. What we need to do is look at the effects of all these small customers in total. Yes, we do not suffer any --

COMMISSIONER DEASON: But at the city gate, you can tell what's happening for that particular marketer, whether he's supplying the amount he should be supplying or not, or you can't tell without looking at the other side of that equation and determining how much his customers are using?

MR. SCHNEIDERMANN: We can tell how much is coming to our city gate for the marketer and the marketer's account and our accounts. What we can't tell without the proper telemetry is how much are those accounts actually using every single day on the system. And that's what causes us to get out of balance, and that's what causes us to buy additional gas supplies or pay pipeline penalties at times if we were to unbundle without having the proper telemetry in place.

And as far as questions that came up before about LDCs being revenue neutral, we are an LDC. We would be revenue neutral in this. If we were an LDC with a marketing arm, we would only stand to gain.

COMMISSIONER DEASON: Let me ask you this. If metering, the type metering you referred to is required, how much annual consumption would a customer have to have to even -- to have savings enough to just pay for the additional cost of the metering?

MR. SCHNEIDERMANN: The breakeven would probably be somewhere around the number that Staff was suggesting before, around 50,000 therms a year. So in summary --

MS. BANKS: If I could just ask one question. What kind of telemetry cost was that incorporating? Can you give me a dollar?

MR. SCHNEIDERMANN: Sure. Right now the telemetry that we're using, based upon the customer's site and installation cost, runs between $3,000 and $3,500 per site.

MS. BANKS: Excuse me. Could I ask City Gas just one question real quick? How much is the telemetry you normally put in place for the customers?

MR. DeMOINE: Our large industrial -- large commercial and industrials, I believe it's between $600 and $800. There are some large industrial applications that can be more expensive that could go up to 2,000, but that's very limited.

MS. BANKS: Is that like solar or satellite or --

MR. DeMOINE: I don't know the specific ones that would be that expensive. But the majority of ours in all our states are between $600 and $800.

MR. SCHNEIDERMANN: I think a key question to also ask is, is that the cost of your telemetry, or is that what you charge the customer?

MR. DeMOINE: That's the cost to install. That includes the serviceman's time to go out and install it, as well as the actual cost of the meter.

CHAIRMAN GARCIA: Okay.

MR. SCHNEIDERMANN: Thank you.

In summary, we're not against competition. Wherever the price of natural gas can be reduced for our customers, we agree it is good. But we need to make sure the safeguards are set in place to protect our customers and also to protect the remainder of our customers who do not transport.

And one thing that hasn't really been taken into account is if the majority or a large portion of our commercial customers were to convert to transportation service, the utility itself, the LDC would have a severe loss in its buying power and negotiating power to be able to supply low cost gas to the rest of its non-transportation customers. We would not be buying in the same bulk that we currently buy in.

CHAIRMAN GARCIA: Very good.

COMMISSIONER CLARK: But you could go to a marketer, couldn't you?

MR. SCHNEIDERMANN: What benefit would that have?

COMMISSIONER CLARK: A lower price.

MR. SCHNEIDERMANN: Well, we buy gas right now through gas marketers every single day.

COMMISSIONER CLARK: I was just thinking that you could become part of an aggregation that a marketer does and get a lower price if you found that buying on your own was not cost-effective.

MR. SCHNEIDERMANN: If we were to go to a marketer, we would obviously be paying whatever the cost of gas normally is plus whatever administrative charges the marketers have also. So I see that as actually driving our cost up additionally.

COMMISSIONER JACOBS: How do you respond to the claim that if proper penalties are established against the marketer that it would spur sort of a trading process whereby the marketers would take care of this process themselves?

MR. SCHNEIDERMANN: The penalty would resolve issues such as if the marketer was told to put a certain amount of gas -- deliver a certain amount of gas every day or on particular days. The penalty would not help us determine the imbalances between the small customers if they did not have telemetry at their site and --

COMMISSIONER JACOBS: I understand. What they're saying is that they're going -- if there's a penalty out there against a marketer for failing to put the capacity into the system, they're going to know about it, or probably that marketer is going to fine them, because they're going to want to defray those penalties, and they're going to go out and search for alternatives, and other marketers will provide those alternatives. They could still find a price in the marketplace that would help them supply their customers and still come in at a price lower than what they pay for the penalty.

MR. SCHNEIDERMANN: And for the most part, that would just benefit the marketer.

COMMISSIONER JACOBS: It's not going to cure your imbalance problem?

MR. SCHNEIDERMANN: That would not cure the imbalance problem between the daily imbalances and what is actually put on the pipe by the marketer.

COMMISSIONER JACOBS: Thank you.

CHAIRMAN GARCIA: Very good. Who wants to go up next? Mr. Palecki?

MR. PALECKI: Just a very brief observation. In Florida today, we have limited pockets of competition, very limited areas where transportation service is available. As a result, we have a limited number of marketers interested in serving Florida. We have limited competition between the marketers. There are price benefits that are achieved by the customers, but they are not as great as they could be.

If we saw statewide competition in Florida, if we saw transportation service available statewide to all commercial and industrial customers, we would have more marketers interested in serving the State of Florida. We would see greater competition between the marketers. We would see greater price benefits achieved by the customers. And in addition, the customers would have statewide aggregation available to them.

We believe that it is a win-win situation, a win for the companies and a win for the customers, and we support the rule.

Thank you.

CHAIRMAN GARCIA: Okay.

COMMISSIONER DEASON: I have a quick question. At what level of usage does City Gas determine that special metering is required, and at what level are you unconcerned about special metering and just believe that it will all average out?

MR. DeMOINE: Several years ago we split our commercial group into small and large commercial. Any customer that consumes greater than 120,000 therms a year requires the AMR. Customers in the small customer category do not require it. So it's approximately 12,000 decatherms a year.

CHAIRMAN GARCIA: Okay.

Any more volunteers? Go ahead.

MR. CALDWELL: Mary Jo and I both have a couple of comments, but the one part I just wanted to point out, there has been a significant presumption here about savings. And I think what we're really talking about, if you look at the fundamentals, the LDC is buying gas in a market that is already in wholesale competition. We acquire the capacity and transfer those costs to customers through the PGA with no markup. So you're already getting the benefit of competition on the gas supply side for the customer. But as a regulated utility, you charge one price, total costs divided by total therms. That's what everyone pays. The savings frequently are merely that some customers with a high load factor are lower cost to serve.

So to the extent that there is an arbitrage opportunity between the PGA and that lower cost, the marketer may make -- you know, it's savings. What that means is that the remaining customers on the PGA are paying more.

So, granted, competition may stimulate the gas supply and may provided some benefits. But if the cost of providing that competition is too great, then there aren't any total system benefits.

CHAIRMAN GARCIA: Okay. Thank you. You want to go ahead?

MR. RICHARDS: Yes. This is Allan Richards with End Users Natural Gas. A couple of rebuttals to Mr. Schneidermann's comments, in particular, regarding the remote telemetering. Quite candidly, I feel that this is a barrier to entry for small commercial customers, that experience has shown that it is not essential for operational integrity of the system.

Furthermore, I think that relative to the throughput on Florida Gas Transmission, as Staff has indicated, the throughput of Florida Public Utilities or most other LDCs in Florida is really a drop in the bucket relative to the throughput for electric load, and that the delta, that is, the estimated forecast of the monthly aggregated daily delivery for that month relative to the small customers' actual consumption, that delta is even significantly smaller. So in the scheme of things, the amount of gas between the estimated required amount to be delivered by the marketer versus the customers' actual consumption is negligible. And there are a variety of suppliers that would require that delta at spot market on a daily basis relative to Zone 1, 2, or 3 on FGT's system.

It's our view that because the delta is so small, that requiring the small commercial customer to install telemetering is burdensome on the customer, on the distributor, and on the supplier, and adds incremental costs which have to be passed on to the customer.

The second position is relative to licensing. If you go into licensing, currently End Users Natural Gas operates in New York and has to meet the licensing requirements. We operate in New Jersey and have to meet the licensing requirements. We operate in Connecticut and have to meet the licensing requirements, as well as other states as well.

Essentially, in our view it amounts to administrative burden on the state as well as the marketer. And these costs have to be passed on and borne by someone.

The protections to the ultimate consumer can be built into the tariff itself. And this is what I was alluding to earlier. It's not necessary for you to open dockets for slamming, dockets for marketer certification. Just make sure that the safeguards are built into the required tariffs to prevent a marketer from not performing. If you put the provisions in there where they have to get a signed contract by the customer, if they slam the customer and somewhere in there that's misrepresentation or fraud, if you put penalties in for their non-performance, which is backed up by guarantees, a surety bond, security, which can be broken to meet the gas consumptions of that marketer's pool, then the distributor will break that security and provide for the gas so that the customer is not harmed in any way.

There is nothing in the rule, there is nothing physically which stops the unbundling to proceed which can't be done within the tariffs. It's just a matter of putting the safeguards in there for your concerns, reliability, supplier of last resort, slamming, and making sure that the suppliers or the LDCs are maintained whole so that they are compensated for the actual cost of service to provide this option to the customer without hurting their stockholders.

Thank you.

CHAIRMAN GARCIA: Okay. Go ahead.

MR. BLAZER: Rich Blazer with Infinite Energy.

I would like to restate that Infinite Energy is supportive of the proposed rule. I would also like to see if the Commission can set up a phone number or something for customers to call that are wanting or waiting for deregulation. I did have a customer call the Commission last week -- it was either last week or the week before -- and get hold of somebody.

And when the customer called me back, he told me he couldn't believe I had him call the Commission because of what the Commission told him. He didn't speak to any Commissioners. I guess they talked to a Commissioner's aide. That looked very poorly on me. I believe I wanted the customer to call the Commission because all you hear from is the marketers and the LDCs, and I know you want to hear from the end use customer. But if I have a specific phone number or a specific person that the person could call, I can have the people call. At this point, I'm not going to have them call, because I don't want it to look bad on me anymore. Or, as Mr. Richards said before, an address and a person's name to put on the letter.

CHAIRMAN GARCIA: That's fine. We'll do that for. And when we close the hearing, I want to know who your customer spoke to just so we have an idea of what's going on there.

MR. BLAZER: Sure. And Infinite Energy doesn't see any need to meter all the firm accounts now if you go down to a small commercial level on the commercial side. The LDCs don't do it now. They guess at the volume the customer is going to use and supply that volume on a daily basis. There's no way they can put in the exact amount of gas that that commercial load is using. So there is an imbalance that's created, but as the Florida Public Utilities said, Mr. Schneidermann, it's a very small volume that these customers could be out on a daily basis.

Thank you.

CHAIRMAN GARCIA: Okay.

MS. PENNINO: Chairman Garcia, we had intended to share our five minutes, so if I could just take two more.

As we stated earlier, we support transportation service to the extent that it is responsive to market demands. That's why we have as much as we do. With the exception of the implementation cost, which we're optimistic that those will be recoverable, we don't have anything to lose here. We are revenue neutral, and we recognize that point that was made by others here. We would love to have marketers marketing natural gas in our service territory. That only helps us.

In response to the question you asked, Chairman Garcia, about where are the customers today, I've asked the same question. I've been responsible for regulatory for Peoples Gas for two years now, and I have yet to have a customer call me and say, "Please reconsider where you are on your tariffs, and please consider opening something up."

So I encourage those of you who do receive those calls to please send them my way. We are a company that will respond to the market forces. We have to. We're in business to do that, and we want to hear from our customers. I would hate to think that we are that out of touch with our customers that there's a cry out there that we're just flat out not hearing.

We will respond to the market, and you as Commissioners have permitted us to do so by enabling us to transport as much we have, and that's why we feel that the rule is not necessary.

MR. LANGSTON: Mr. Commissioner, Mr. Chairman, my name is Mike Langston. I haven't spoken before. I'm here on behalf of South Florida Natural Gas. I just would like to comment that we're basically in favor of this rule and would be supportive of it.

There's two issues that we haven't heard discussed today that I just wanted to throw out. One is the issue of timing. To the extent the Commission elects to order LDCs to file tariffs to implement this transportation, we would prefer to have the flexibility to make sure that that implementation occurs in the summertime and not in the middle of wintertime.

The second issue is customer education. We went through a similar process in our Missouri operations, and our survey showed that even the small commercial and industrial customers did not fully actually understand their gas bill and understand when they converted to transportation exactly what that meant, which part of their gas bill was going away, which part of that gas bill they would be contracting with others. So we would just ask that you make sure that in your rule you provide enough time for those activities.

CHAIRMAN GARCIA: Very good.

All right. Thank you all. Where does this put us?

MS. HELTON: The way I see it, there's I guess three options.

CHAIRMAN GARCIA: Okay.

MS. HELTON: The first one, which is obviously the preferable one for Staff, would be that we would bring the rule back again, and you all would vote to propose it.

CHAIRMAN GARCIA: Okay.

MS. HELTON: The second one would be that we would have direction from you that there are some changes that you would like to see in the rule. We would work those out, then bring that rule back to you. Or the third is, which is obviously the least preferable to Staff, you don't think that the rule is necessary at all and you direct us to close the docket.

CHAIRMAN GARCIA: Well, Commissioners, what's your pleasure? I was thinking that what we should perhaps do is have Staff come back to us with a recommendation. They already have, but I think you should address some of the issues that I think the Commissioners have brought up today. It will give us an opportunity to refine it.

Because this is a rule, I guess we can talk about it to some degree with the industry as well as with you. So maybe you should speak to each Commissioner about what you're going to be filing, if there's going to be any change in it, and then we'll go from there to put it on an agenda, if that's all right with you all, Commissioners.

MR. RICHARDS: Mr. Chairman, excuse me. This is Allan Richards with End Users.

CHAIRMAN GARCIA: Yes.

MR. RICHARDS: I would like to open up a suggestion for possibly a fourth option, that during some time period, 30 days, 60 days, or what have you, that the companies would be permitted to submit a pro forma tariff that could meet some of the concerns, if not all the concerns put into the rule, and if these pro forma tariffs met the spirit and the necessity of the rule, that possibly that could make it much easier to move forward.

COMMISSIONER CLARK: You can always file a tariff.

CHAIRMAN GARCIA: You can always do that. But if you want to do something with Staff on this, they're going to have to take a little bit of time, and I don't think we're going to be looking at this in the middle of Christmas, so I think --

MS. BANKS: I would anticipate now maybe we would shoot for a recommendation due in February.

CHAIRMAN GARCIA: That's more than -- that's fine. And maybe that gives you an opportunity to work something out in terms of filing a tariff that maybe they'll like and the whole industry can live with.

I want to thank Staff for this. It was very enlightening. Thank you all.

(Proceedings concluded at 2:54 p.m.)

STATE OF FLORIDA)
: CERTIFICATE OF REPORTER
COUNTY OF LEON)

I, MARY ALLEN NEEL, RPR,

DO HEREBY CERTIFY that the workshop in Docket No. 960725-GU was heard by the Commissioners listed at the time and place herein stated; it is further

CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript, consisting of 174 pages constitutes a true transcription of my notes of said proceedings.

DATED this 30th day of November, 1999.

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