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**ORIGINAL
FILE COPY**

February 19, 1997

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

BY HAND DELIVERY

Re: Docket No. 960725-GU

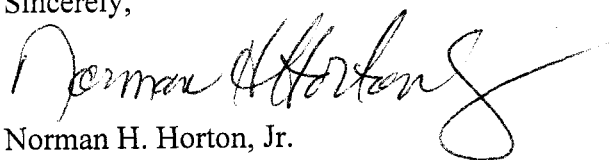
Dear Ms. Bayo:

Enclosed for filing on behalf of South Florida Natural Gas Company is fifteen copies of South Florida Natural Gas Company's response to a memorandum from Mr. Wayne Makin dated February 6, 1997. Copies of this have been provided to parties of record.

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

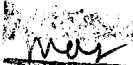
Thank you for your assistance in this matter.

Sincerely,


Norman H. Horton, Jr.

- ACK _____
- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG _____
- LIN _____
- OPC _____
- RCH _____
- SEC _____
- WAS _____
- OTH _____

NHH:amb
Enclosures
cc: Mr. John McLelland

RECEIVED & FILED

FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE
01859 FEB 19 97
FPSC-RECORDS/REPORTING



SOUTH FLORIDA NATURAL GAS CO.

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NEW SMYRNA BEACH, FL 32170-0248

SERVICE ADDRESS
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February 11, 1997

Mr. Wayne Makin
Bureau of Gas Regulation
FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

RE: DOCKET NO. 960725-GU

Dear Wayne:

In response to the commission memorandum dated February 6, 1997 asking the question:

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

South Florida Gas Company firmly believes the answer to this question is emphatically "NO".

The company believes unbundling should not proceed until the benefit is shown to all customers, "not just a few". The potential exists, with respect to pipeline capacity charges, for large customers and marketers to reap larger profits, while smaller customers foot the bill by absorbing unused charges in the PGA.

The Commission should suspend this docket until two items are corrected:

- (1) Avoidance of State and Local Taxes and Fees. The State of Florida and local municipalities, have in the past and could in the future lose millions of dollars under applicable State gross receipts tax and local franchise tax statutes and ordinances.
- (2) Reliability of Service. Marketers have a competitive advantage by using cheaper, less reliable capacity. The marketer today can use capacity which has been paid for to the pipeline by the LDC at maximum rate. A marketer will attempt to pick up the capacity at a reduced rate (Dec. 1996 release rate was only 5 cents MMBTU) and make sales to a larger customer for a lower rate than the LDC, and the LDC's smaller customer will foot the bill. (This is wrong).

DOCUMENT NUMBER-DATE

01859 FEB 19 97

FPSC-RECORDS/REPORTING

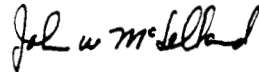
PAGE -- 2 --
Mr. Wayne Makin
February 11, 1997

The company concurs with Peoples Gas Company in its filing dated January 25, 1997. and finds their general comments to be true and to the point.

South Florida Natural Gas Company supports and agrees generally with these comments and suggestions and would urge the staff and commission to fully and carefully consider these comments when preparing a recommendation in the docket.

Thanks for your assistance in this matter.

Yours truly,
SOUTH FLORIDA NATURAL
GAS COMPANY



John McLelland
Vice President

JWMcL:jab