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October 7, 1996

HAND-DELIVERED

Blanca S. Bayo, Director
Division of Records and Reporting
Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0870

Re: Unbundling of Natural Gas Services
Docket No.: 960725-GU

Dear Ms. Bayo:

Enclosed for filing and distribution are the original and fifteen copies of City Gas Company of Florida's Comments on Issues Addressed at First Unbundling Workshop in the above docket.

Please acknowledge receipt of the above on the extra copy enclosed herein and return it to me. Thank you for your assistance.

Yours truly,

Vicki Gordon Kaufman

Vicki Gordon Kaufman

VGK/pw
Encls.

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BEFORE THE PUBLIC SERVICE COMMISSION

In Re: Unbundling of Natural Gas Services	)))	Docket No. 960725-GU Filed October 7, 1996

CITY GAS COMPANY OF FLORIDA'S
<u>COMMENTS ON ISSUES ADDRESSED AT FIRST UNBUNDLING WORKSHOP</u>

Q1. Should the Local Distribution Company (LDC) be required to be the supplier of last resort?

A. No. The Company should not be required to be the supplier of last resort. However, the Company is willing to provide this service provided that it is fully compensated for providing such service and that all costs associated with the gas supply, capacity, and any other services necessary to stand ready are passed along only to the customers that have subscribed to or will be the beneficiaries of such services.

Q2. Should the LDC be required to offer transportation services to all classes of customers?

A. NUI believes that unbundled service should be made available to all non-residential customers. Currently, NUI's Florida Division, City Gas Company of Florida, makes transportation service available to commercial customers transporting more than 120,000 therms a year. The Company believes the threshhold should be eliminated for this class. With regard to the residential class, the Company believes that individual Company designed pilot programs would be the most advantageous way for each of the LDC's to gain experience. After 2-3 years of experience, the Commission could further evaluate unbundling to the residential class.

Q3. Should the LDC have the obligation to offer back-up or no-notice for firm transportation customers?

A. The Company believes that firm transportation customers should have the option of receiving backup or no-notice service from the LDC, provided that the rate for the service is cost based. As with issue No. 1 and also a future issue that we have not addressed regarding capacity costs, all costs incurred by the Company to provide such service should be allocated only to the subscribers to the service.

Q4. Should the LDC be relieved of its obligation to transport if the customer fails to secure firm supply or back-up service.

A. Yes. The Company should not be required to deliver gas unless the customer has contracted for standby or no-notice and the Company is compensated for being a supplier of last resort. However, for small commercial customers, it is unlikely that the Company would be able to curtail service to these customers, therefore, if the customer does not enter into a back-up or no-notice service with the Company, they would receive gas but pay an unauthorized use fee for such consumption.

One of the hallmarks of the new environment is customer choice and with choice comes responsibility. Once a customer has chosen from the menu of services offered by the LDC, it should not be allowed to unilaterally avail itself of non-subscribed services to the detriment of the LDC and its other customers.

Q5. Should the LDC be allowed to use the transportation customers' gas in critical needs situations?

A. Critical needs situations should be clearly defined either by the Commission or in the Company's filed curtailment plan which has been approved by the Commission. Generally, a transportation customer and sales customer should be treated equally. However, if either a sales or transportation customer has alternate fuel capabilities and the need arises to take their gas for a critical needs situation, the Company should be allowed to use the customer's transportation gas and provide the customer fair compensation.

Q6. Should the LDC be allowed to curtail gas service to a firm transportation customer who has demonstrated that their gas supply arrived at the city gate?

A. Generally speaking, no, the Company should not be allowed to curtail a firm transportation customer when his gas has arrived at the city gate. However, as the Company stated in No. 5, an exception for critical needs situations should be clearly defined in the Company's curtailment plan. Also, the Company should have the ability to curtail service for operational reasons or not accept gas at the city gate if the customer is outside acceptable imbalance tolerances.

Q7. Should the LDC be allowed to require transportation customers using gas for essential human needs to contract for standby service?

A. Yes, at least initially. The deregulated gas market is still evolving. Smaller transportation customers may not be as sophisticated as larger, industrial users and may require time to understand the new gas market, and its reliability. Moreover, Florida is served by only one interstate pipeline and does not have the diversity of other areas, where back-up could be more easily procured using other pipeline systems.

Q8. Should the LDC be required to offer customers the ability to combine unbundled and bundled services?

A. No. It has been NUI's experience in its New Jersey Division that allowing a customer to use both a bundled and unbundled service in the same month creates an unwarranted administrative burden and also permits gaming on the system. Therefore, the Company would be opposed to allowing both a bundled and an unbundled service within the same month, however, the Company would support a proposal that allows a customer to make an election whether they want to receive their gas in a bundled or unbundled manner for a particular month provided that the Company has the ability to provide the bundled service.

Q9. Should the LDC be permitted to stream gas on a competitive basis using a negotiated rate?

A. Yes. The Company should be permitted to purchase specific supplies to serve customers eligible for transportation service. These customers already have the option of purchasing from any non-regulated marketer or supplier operating within the State of Florida; the LDC should be placed on an equal footing.

Q10. Should the LDC be subject to unbundling?

A. Yes. Unbundling provides the customer with an opportunity to purchase the type of service the customer desires. NUI supports giving customers choices.

Q11. Should all LDC services be performed pursuant to filed tariffs and should any desired rate flexibility be affectuated under a filed rider?

A. No. The Company believes that as competition increases, the Company should not be required to provide service only pursuant to its tariff. The Company needs to be able to respond to market forces and provide services on a competitive basis. There is no reason that the Company should be handicapped from competing head-to-head with non-regulated entities with respect to non-traditional services. Therefore, as markets become competitive, tariff language and restrictions should be removed.

Q12. Should the LDC have the right to unilaterally terminate transportation agreements without cause?

A. No, the only time the LDC should be permitted to terminate the agreement is if the customer has breached the terms of the agreement or committed a breach under general contract law principles.

Q13. Should LDCs be required to "act reasonable" and should "sole discretion" provisions in tariffs read "reasonable discretion"?

A. Yes. The Company agrees that wherever sole discretion appears that the Company should use reasonable discretion.

Q14. Should the LDC be allowed to require a waiting period to transportation customers wanting to return to bundled service?

A. NUI believes that a customer should be required to remain a transportation customer for the remaining term of his transportation service agreeement. At the end of his transportation service agreement, the customer would be considered, as would any other new customer coming on to the system. If the Company has supply and capacity available, they then could return to sales service.

Q15. Should the price for LDC service be based on cost of service principles?

A. No, not necessarily. Market forces and competitive forces will dictate the price that a customer is willing to pay for a competitive service. Therefore, as markets open and become competitive, we must revisit our traditional ratemaking and cost recovery mechanisms.

Q27. Should LDCs be required to have aggregation tariffs?

A. The Company believes that there is an important distinction to be made when discussing aggregation. The Company views aggregation from both an operational and a revenue perspective. With regard to operational aggregation, the Company believes that a marketer should be able to aggregate for the purpose of gas purchasing, nominating, and balancing. However, with regard to revenue and rate schedule classification and application, the Company does not believe that customers should be aggregated.

The Company further supports the elimination of a minimum threshhold requirement, therefore, aggregation would not be necessary for non-residential customers to qualify for transportation service.

Q28. Should capacity release to aggregators be subject to recall to correct any mismatch between customer load and assigned capacity outside a determined tolerance?

A. No. Capacity release should be based on customers DCQ and there should be provisions in the Company's tariff regarding balancing to correct any mismatch between actual burn and delivered quantities.

Q29. Should aggregators become the customer of the LDC rather than the individual customer whose loads are being aggregated?

A. No, however NUI views both the marketer and the end use customer as customers on its system.

Q30. Do LDCs tell suppliers, marketers, and brokers how much gas to deliver into LDCs system for aggregation customers or do suppliers, marketers, and brokers tell LDCs how much gas they are delivering, how are imbalances handled, and who has financial responsibility?

A. NUI believes that the larger customers should be able to make their own decisions regarding the quantities to deliver and how imbalances are handled and also bear the financial responsibility of such decisions. With regard to small customers, NUI believes that the LDCs should be required to notify the marketer how much to deliver and that it would be the marketer's responsibility to deliver the required amount.

NUI has dealt with this issue in its New Jersey Division by requiring large customers to have an automatic meter reading device which enables the Company to balance these customers on a daily basis if necessary and cash-out any imbalance between their actual burn and their delivered quantity. With its smaller customers, it is proposed that AMR devices will not be required, however, the broker is required to bring in an average daily delivery quantity. To the extent that actual burns differ from the average daily delivery quantity, that amount is trued-up in a subsequent month.

Q31. Should aggregators be able to order transportation service by phone or simply ask their agents to take care of the details of arranging service?

A. NUI requires each customer to have a transportation service agreement on file with the Company. The service agreeement lays out the contractual term, the daily delivery quantities, and other pertinent information required to manage the account. NUI's gas administration group has specific nomination procedures that must be followed by marketers who are operating on the system.

Q32. Should aggregators be afforded the same load management tools used by the LDC it its capacity as supplier of bundled service?

- ☐ Hold the upstream capacity of their customers if asked to do so?
- ☐ Receive and pay their customers transportation bills?
- ☐ Balance all of their customers usage as one pool?
- ☐ Choose to have all LDC penalties and operational orders directed at their pools rather than their customers pools?
- ☐ Aggregate any collection of customers?
- ☐ Aggregate upstream capacity for the purpose of submitting one city gate nomination for their customers?

A. NUI believes that a customer should be required to take their capacity and, therefore, it supports the idea of having the marketer hold the upstream capacity of its customers. The Company, however, disagrees with having the marketer pay the customers transportation bills. The Company believes that it is important that the customers still recognize the utility as an integral component of their gas service primarily because of safety issues. The Company supports the marketer balancing all of their customer usage in one pool. The Company also supports having the LDC penalties and operational orders directed at the marketers pools rather than at the customers'. The Company supports aggregating upstream capacity for the purposes of submitting one city gate nomination and the Company believes that the marketer or broker should be required to nominate for their customers. The Company needs further clarification of what was meant by aggregate any collection of customers as it was unclear on the list of issues.

BEFORE THE PUBLIC SERVICE COMMISSION

In Re: Unbundling of Natural Gas Services))) Docket No. 960725-GU

Filed October 7, 1996

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of City Gas Company of Florida's Comments on Issues Addressed at First Unbundling Workshop has been furnished by U.S. Mail to the following individuals, on this 7th day of October 1996:

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