

January 27, 1999

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

RECEIVED
JAN 28 10 34 AM '99
ADMINISTRATION
MAIL ROOM



e primeSM

Dear Ms. Bayou:

Texas-Ohio Gas, d.b.a. *e prime*, would like to express our written concerns to you on the Petition of Peoples Gas System, Docket No. 961236-GU. This petition is for the modification and extension of Peoples' firm transportation aggregation (FTA) service rider. Texas-Ohio Gas is currently supplying over 80 customers on this FTA Pilot Program. This is nearly half of the total pilot customer base. Texas-Ohio Gas is disappointed that Peoples is limiting the number of participants, in light of deregulation. It is clear that the Commission needs to force PGS to provide a fair transportation program that is available to all the customers they sell gas to. This expansion is just another delay on the journey to total deregulation. However, in an effort to continue to be one of the leading suppliers of gas on the program, we plan on working with Peoples and the Commission within the realms of this petition.

In reviewing the petition, we have several areas that we are concerned with. They are outlined below.

Capacity Release:

The Pool Manager will be required to accept a temporary release of Peoples' FTS-2 capacity on FGT. Peoples says this is necessary to reduce the impact on capacity costs recovered through the Purchased Gas Adjustment Clause. In one sentence, they say we will be charged their weighted average cost per MMBtu. However, due to FERC rules, the capacity will be posted for competitive bidding. Our concern is that the price will be bid up over their weighted average cost. Theoretically, Peoples should be releasing enough capacity to cover all the customers on the Pilot Program. They had this capacity when they were serving those customers, so they should have that amount of capacity to be released. However, since Pool Managers will be able to specify the quantity released/nominated each month, the system could be manipulated. This could force a prudent Pool Manager, to have to pay a much higher cost per MMBtu due to the bidding procedure. And Peoples would actually be making money on that capacity. We realize that each Pool Manager will be penalized if actual takes exceed the quantity of acquired capacity by more than 5%. This should deter most manipulation of the system. This also does not enable the Pool Manager or Customer any comfort level in what their total cost per MMBtu will be each month. It is a moving target. Under the current program, the marketer takes FTS-1 capacity from Peoples, and can anticipate what their transportation costs will be. Therefore, both the marketer and customer can plan and budget accordingly. Some type of procedure to alleviate the potential of outlandish transportation charges would seem to be necessary, under the doctrine of fairness, for everyone involved.



A Subsidiary of
**NEW CENTURY
ENERGIES**SM

DOCUMENT NUMBER-DATE

01141 JAN 28 99

Pool Manager Disqualification:

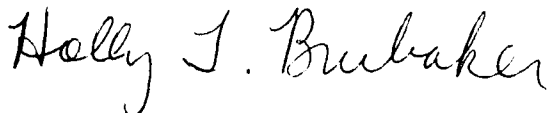
Peoples proposes to add disqualification as an additional penalty for a Pool Manager's nonperformance. We understand their worries, however, we are concerned that there is no procedure in place to review this disqualification. There could be extenuating circumstances, metering problems, or a vast number of other reasons for non-performance. There needs to be a review process in place, perhaps with the Florida Public Service Commission. This would ensure that the disqualification was justified.

Customer Participation:

One can expect that the 1000 customer limit will be reached fairly quickly, perhaps even in the first month of the extension. The current petition does not define clearly the procedure that will be used to prorate the prospective transport customers back to 1000. The amendment to the petition states that the current FTA participants are eligible to continue their participation subject to meeting other program criteria. So this presumes that those existing customers, will not be prorated back. The next level is not defined: it could be date of application, number of customers per Pool Manager, or various and sundry other items that Peoples' chooses. As filed, Peoples reserves the right, exercisable in its sole discretion at any time, to close Rider FTA to participation by additional customer accounts. The Commission will be able to review this suspension. However, we feel that Peoples should anticipate this problem up front, and define beforehand, how the customers will be allocated to each Pool Manager.

We appreciate your considerations with regard to the above mentioned concerns. Please feel free to contact me for further discussion at 1-800-229-4277, extension 210.

Sincerely,



Holly T. Brubaker
Senior Gas Marketer

CC: Wayne R. Makin