

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for approval of ) DOCKET NO. 960920-GU  
flexible service tariff by City ) ORDER NO. PSC-96-1218-FOF-GU  
Gas Company of Florida. ) ISSUED: September 24, 1996  
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The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman  
J. TERRY DEASON  
JOE GARCIA  
JULIA L. JOHNSON  
DIANE K. KIESLING

ORDER APPROVING FLEXIBLE GAS SERVICE TARIFF FOR  
CITY GAS COMPANY OF FLORIDA

BY THE COMMISSION:

On August 6, 1996, City Gas Company of Florida (City Gas or Company) filed a petition for approval to implement a proposed Flexible Gas Service tariff. City Gas seeks authority to enter into negotiated contracts with eligible customers at rates which are lower than the Company's standard rates.

The Flexible Gas Service tariff will apply to customers who demonstrate to City Gas that they have a viable alternative to standard service by City Gas for the fulfillment of their energy needs. The Company will offer service pursuant to the tariff, only after receipt and investigation of a documented statement detailing the customer's option.

On August 8, 1996, City Gas filed an amended petition to include physical relocation as a potential basis for qualification of a customer under the tariff and to correct typographical errors in the body of the tariff. On August 14, 1996, City Gas filed a second amended petition to revise the tariff as it relates to existing customers who may seek to qualify for service under the tariff.

City Gas asserts the tariff is designed to meet the Company's need to compete for potential customers who have viable energy options in a way that assures existing customers will not be required to subsidize the negotiated contracts. The Company

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further asserts that Federal initiatives have transformed the sale of natural gas from what was traditionally a monopoly enterprise, to one of multiple providers who participate in a competitive market. Customers are becoming increasingly aware of their ability to meet their energy requirements with alternative sources of energy. Options may include physical relocation, by-pass directly to the interstate pipeline, or access to viable energy alternatives.

The Company's proposal incorporates several protective measures designed to ensure that existing customers are not burdened with the costs attributable to this tariff. City Gas, in future rate cases, will impute revenues sufficient to offset the administrative costs (meter reading, billing, and maintenance of facilities) of serving customers under the Flexible Gas Service tariff. This is equivalent to placing these expenses "below-the-line". In addition, City Gas will not attempt to recover from its existing customers the difference between the otherwise applicable tariff rate and the contract rate, either through cost recovery clauses or directly or indirectly in future base rate cases.

If the Flexible Gas Service tariff is offered to a new customer served directly off a Florida Gas Transmission main, that customer will be charged a rate which is based on a floor price that is equivalent to the incremental cost of providing service to that customer. The Company will exclude from rate base all incremental capital costs related to serving the customer, and will retain all revenue received from the customer.

For a new customer served off the Company's existing distribution system, the rate to be charged will be based on a floor price equal to the incremental cost of providing service to that customer. The Company will exclude from rate base all incremental capital costs related to serving the customer, and a portion of the depreciated costs of common distribution mains reflecting the size of the pipe serving the customer plus the distance from the interstate pipeline. In addition, the Company will retain all revenue received from the customer.

Although the Flexible Gas Service tariff is intended primarily to enable City Gas to compete for new customers who have viable alternatives to the Company's standard service, there may be instances in which the tariff could be applicable to existing customers. Currently, City Gas has approximately 38 large volume customers which represents approximately 16% of total revenue to the Company. If an existing customer is offered service pursuant to the tariff, the Company will exclude all incremental capital

costs from rate base, and will remove from rate base the depreciated cost of the service line, metering equipment, and any other facilities that were installed specifically to serve the customer. In all instances, the Company will remove from rate base, a portion of the depreciated costs of common distribution mains reflecting the size of the pipe serving the customer plus the distance from the interstate pipeline.

As part of the incremental cost analysis, the Company will specifically identify the incremental Operating & Maintenance (O & M) costs in determining the customer's rate. In future base rate cases, the customer operating costs (the annual operating and maintenance cost meter reading, billing, and maintenance of facilities) will be imputed as revenue to offset the revenue requirement of such cost. The imputed revenue will be the greater of the specifically identified O & M cost, or applicable customer cost component, as identified in the Company's most recent base rate proceeding cost of service study.

All allocations and adjustments made by the Company to rate base will be subject to our review and approval. Because all allocations and transactions are clear and accountable, we believe the rates charged to the general body of customers will not increase due to some customers receiving service under the tariff at negotiated rates.

The Company will account for the imputed revenue component in its monthly surveillance reports. In addition, within 30 days from the date each contract is executed, City Gas will submit detailed information relating to the contract to us. The information will include the name of the customer, the contract rate, the alternative energy sources available, and a copy of the contract entered between the customer and the Company. The tariff prescribes that such information will be submitted to the Commission on a confidential basis. Because each contract will be separately negotiated, City Gas regards the confidentiality provision as an essential component of the tariff.

Having reviewed the proposed tariff, we find that it should be approved. We believe the proposal contains adequate safeguards to ensure that existing customers are not adversely affected by implementation of the tariff. By separately accounting for all incremental capital costs to be excluded from rate base, the Company, rather than its general body of ratepayers, is at risk for the existing and incremental capital investment. Further, the reporting requirements proposed by the Company will ensure that any effects resulting from the implementation of the tariff will be timely identified.

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Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Flexible Gas Service tariff, proposed by City Gas Company of Florida, is hereby approved effective September 3, 1996. It is further

ORDERED that if a protest is filed in accordance with the requirement set forth below, the tariff shall remain in effect with any increase in revenues held subject to refund pending resolution of the protest. It is further

ORDERED that if no protest is filed in accordance with the requirements set forth below, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 24th day of September, 1996.

BLANCA S. BAYÓ, Director  
Division of Records and Reporting

by: Kay Flynn  
Chief, Bureau of Records

( S E A L )

VDJ

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 15, 1996.

In the absence of such a petition, this order shall become final on the day subsequent to the above date.

Any objection or protest filed in this docket before the issuance date of this Order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this Order becomes final on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the date this Order becomes final, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.