BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition of Peoples Gas System, Inc. for Approval of Modifications to its Natural Gas Tariff in Order to Reflect Restructuring of Services by Florida Gas Transmission Company	DOCKET NO. 931021-GU ORDER NO. PSC-93-1714-FOF-GU ISSUED: 11/30/93

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK
JULIA L. JOHNSON
LUIS J. LAUREDO

ORDER APPROVING TARIFF MODIFICATIONS

BY THE COMMISSION:

BACKGROUND

On April 8, 1992, the Federal Energy Regulatory Commission (FERC) issued Order No. 636, which required significant changes in the structure of service provided by interstate natural gas pipelines. In Order No. 636, FERC intended to complete the transition to a competitive natural gas industry initiated by the Natural Gas Policy Act of 1978 and continued by FERC Order No. 436 and the Natural Gas Wellhead Decontrol Act of 1989.

FERC indicated in its order that the traditional role of pipelines as gas merchants (purchasing gas at the wellhead and selling it in a "bundled" sales service to local distribution companies (LDCs) at the city gate) was a hindrance to the development of a competitive gas market. FERC intended that Orders 636, 636-A and 636-B would eliminate this roadblock to competitive transportation by requiring all interstate pipelines to restructure their service and eliminate their role as gas merchants.

Florida Gas Transmission Company (FGT) completed its restructuring to comply with Order 636 on September 19, 1993, when FERC issued its Second Order on Compliance Filing. FGT submitted its revised Gas Tariff in response to that order on September 22, 1993. The tariff makes numerous and significant changes in the operation of FGT's pipeline system. The changes are effective with service provided by FGT on and after November 1, 1993.

Customers of FGT, local distribution companies like Peoples Gas System, Inc. (Peoples), and to some extent end-use transportation customers of the local distribution companies, now must go to the market place to buy their own gas. The pipeline no longer sells gas. The pipeline only transports it. The LDC's are no longer able to rely on the pipeline as they once did for all their needs. All of the liabilities that once were incurred by the pipeline, (purchasing, transporting, balancing, interrupting customers' gas, etc.), are now the responsibilities of the LDCs.

To the extent that end-use transportation customers of the LDCs purchase their own gas, they too face the responsibility of purchasing, transporting, balancing and scheduling the service they desire to receive on each day, in order to maintain a balance between receipts into and deliveries out of both FGT's and the serving LDC's system. The LDC will assign responsibility for any imbalance (difference between scheduled quantities and actual gas taken for each day) created by a particular customer to that customer and no others. That is, the customer responsible for the creation of an imbalance on the LDC system will be required to resolve it with the LDC at the end of the billing period.

In response to these major changes in the natural gas industry, and in particular the restructuring of FGT, Peoples Gas System filed its petition for approval of the modifications it has made to its natural gas tariff (Appendix A). We scheduled consideration of Peoples' Petition for our November 9, 1993 Agenda Conference, but deferred consideration until November 23rd, at the request of two of Peoples' customers, Lake Cogen, Ltd. and Pasco Cogen, Ltd. In the interim, Peoples met with those customers to explain the tariff changes, and subsequently filed a Supplement to its petition, which contained two changes to the proposed tariff (Appendix B).

PEOPLES' TARIFF MODIFICATIONS

Beginning on November 1, 1993, the effective date of FGT's restructuring, Peoples converted all remaining FGT sales service to transportation service. The revised tariff sheets will govern transportation service on Peoples' distribution system. The major changes to the revised tariff sheets are as follows:

Conditions for Transportation of Customer-Owned Gas This additional paragraph to the General Applicability Provisions of the tariff provides primarily that each customer that receives transportation service must execute a Gas Transportation and Supply Agreement and an Operational Balancing Agreement, regardless of whether that customer also purchases gas from Peoples pursuant to a rate schedule providing for sales service.

Gas Transportation and Supply Agreement This section sets forth general provisions with respect to nominating and scheduling service, and provides that quantities of gas nominated by the customer and confirmed by Peoples for delivery will be deemed to be Scheduled Quantities. The revision provides the times when customers' nomination for service are due to Peoples in order for Peoples to provide its own nominations to the pipeline for its system supply. The revision also addresses Peoples' billing of its non-gas energy charge and transportation charge based on Scheduled Quantities. Any difference between scheduled quantities and actual takes for each customer will be resolved by the Operational Balancing Agreement. Peoples may use the customer's gas that is flowing on or into Peoples' system at times when Peoples must curtail deliveries of gas to its interruptible transportation customers in order to maintain service to its firm customers.

Operational Balancing Agreement This section provides that, at the end of each billing period, the customer's operational imbalance amount will be determined by subtracting the actual takes from the scheduled quantities for each day, and summing the differences for the month. The result is the monthly imbalance amount. Peoples will purchase any positive (scheduled quantities exceeding actual takes) monthly imbalance amount from the customer. Peoples will sell any negative (actual takes exceeding scheduled quantities) monthly imbalance amount to the customer.

We believe that the revisions to Peoples' natural gas tariff are fair and reasonable responses to the restructuring of FGT and the fundamental changes in the natural gas industry. Accordingly, we approve the changes to Peoples' tariff, effective November 23, 1993. With the implementation of these new tariffs, Peoples believes it will incur additional costs related to accounting, metering and billing. Peoples has indicated that it may petition for recovery of these costs outside a rate case application. To assure that all transportation customers are aware of the possibility that Peoples may seek recovery of these additional costs, we require Peoples to notify its end-use transportation customers now of its intent and the potential dollar impact the recovery would have.

It is therefore,

ORDERED that Peoples Gas System's modifications to its natural gas tariff are approved. It is further

ORDERED that the tariff modifications will be effective November 23, 1993. It is further

ORDERED that at this time Peoples shall notify its end-use transportation customers that it may petition for recovery of additional costs associated with the implementation of its new tariff and Peoples shall inform its customers of the potential dollar impact of that recovery. It is further

ORDERED that this docket shall be automatically closed if no person whose substantial interests are affected by the action proposed files a timely petition for a formal proceeding.

By ORDER of the Florida Public Service Commission, this 30TH day of NOVEMBER, 1993.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)
MCB:bmi

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 at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on December 21, 1993.

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.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition of Peoples Gas System, Inc. for Approval of Modifications to its Natural Gas Tariff in order to reflect restructuring of services by Florida Gas Transmission Co.	DOCKET NO. 931021-GU Submitted for Filing: 10-21-93

PETITION FOR APPROVAL OF TARIFF MODIFICATIONS

Petitioner, PEOPLES GAS SYSTEM, INC. ("PGS" or "Company"), by its undersigned attorneys, files this its petition for approval of modifications to its Natural Gas Tariff (to become effective on the day of the Commission's vote), pursuant to the Commission's tariff approval procedures. The revised tariff sheets for which PGS seeks the Commission's approval are submitted herewith (separately bound) as Exhibit A to this Petition. Also submitted herewith (separately bound) as Exhibit B to this Petition is a version of PGS's tariff reflecting, in legislative style, the changes made by the revised tariff sheets comprising Exhibit A.

In support of its petition, the Company states as follows:

1. The name and address of the Company is:

Peoples Gas System, Inc.
Post Office Box 2562
Tampa, Florida 33601-2562

2. The person to whom notices, orders and pleadings in this docket should be addressed is:

Ansley Watson, Jr., Esquire
Macfarlane Ferguson
Post Office Box 1531
Tampa, Florida 33601-1531

BACKGROUND

3. On April 8, 1992, the Federal Energy Regulatory Commission ("FERC") issued its Order No. 636[1], which required significant changes in the structure of the service provided by interstate natural gas pipelines. FERC intended Order No. 636 to complete the transition to a competitive natural gas industry which had been initiated by the Natural Gas Policy Act of 1978[2], and which had been continued by FERC Order No. 436[3] and the Natural Gas Wellhead Decontrol Act of 1989[4]. FERC indicated in the order that it saw the traditional role of pipelines as gas merchants -- purchasing gas at the wellhead and selling it in a "bundled sales service" to local distribution companies ("LDCs", such as PGS) at the city gate -- as a hindrance to the development of a competitive gas market. FERC intends that its Order 636 resolve competitive transportation issues by requiring three central features:

a. Requiring pipelines that offer firm and interruptible transportation services to "unbundle" those services from firm and interruptible sales services at an upstream point near the gas production area;

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1 Pipeline Service Obligations and Revisions to Regulations Governing Self-Implementing Transportation Under Part 284 of the Commission's Regulations, 57 Federal Register 13267 (April 16, 1992; 59 FERC ¶61,030 (1992) (effective May 16, 1992).

2 15 U.S.C. §§3301-3432 (1988).

3 Regulation of Natural Gas Pipelines After Partial Wellhead Decontrol, FERC Stats. & Regs. ¶30,665 (1985).

4 Pub. L. No. 101-60, 103 Stat. 157 (1989).

b. Requiring pipelines that make bundled sales to provide non-discriminatory, no-notice transportation; and

c. Requiring pipelines to offer firm and interruptible services on a basis that is equal in quality for all gas supplies whether purchased from the pipeline or not.

4. By its Order 636, FERC required all interstate pipelines such as Florida Gas Transmission Company ("FGT") -- from which PGS obtains the vast majority of its interstate transportation capacity (and, until November 1, 1993, a considerable amount of its gas supplies) -- to restructure their services in the manner provided in the order. FGT's restructuring proceeding before the FERC (in which PGS was a significant participant) concluded with the FERC's issuance on September 17, 1993 of its Second Order on Compliance Filing and First Order on Rehearing[5], and FGT submitted its revised FERC Gas Tariff in response to that order on September 22, 1993.

5. All natural gas delivered through Peoples' distribution system is received through two interstate pipelines -- FGT and South Georgia Natural Gas Company ("South Georgia"). Gas is delivered by FGT through 38 interconnections ("gate stations" or "city gates") serving PGS's 11 divisions throughout various areas of Florida. PGS's Jacksonville Division receives gas delivered by South Georgia through a gate station located northwest of Jacksonville. Until August 1990, PGS was able to purchase gas only from FGT at its FERC-

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[5] FERC Dockets Nos. RS92-16 et al.

approved rates for "G", or firm service, and "I", or interruptible service. Beginning in August 1990, the Company began obtaining a small portion of its total requirements through transportation on FGT, and, after mid-May 1991, through transportation on South Georgia. Each year, PGS has converted an additional portion of its firm service on FGT from sales service to transportation service. Beginning on November 1, 1993 (the effective date of FGT's restructuring, as contemplated by the FERC's Orders 636, 636-A and 636-B), PGS will complete the process of converting all remaining FGT sales service to transportation service.

CHANGES ON FGT SYSTEM EFFECTIVE NOVEMBER 1, 1993

6. FGT's FERC Gas Tariff filed in compliance with the FERC's September 17, 1993 order is effective with respect to service provided by FGT on and after November 1, 1993. The tariff makes numerous and significant changes in the operation of FGT's pipeline system, and in the rights of FGT's customers (such as PGS). Among the major changes to which PGS must respond by making changes in its tariff on file with the Commission are the following:

a. Nomination and scheduling of receipts and deliveries. In the past, although FGT required customers such as PGS to nominate the quantities of gas to be delivered via FGT, and provided for FGT's confirmation of such nominations, FGT's deliveries were based on the customers' actual takes of gas, rather than on the quantities they nominated and scheduled for delivery. As of November 1, FGT's deliveries to PGS will be based on the quantities which PGS schedules for delivery. In addition, PGS must nominate the daily quantity to be delivered at each of its city gates served by FGT, whereas presently the Company is required only to nominate the quantities to be delivered to each of its operating divisions (each of which has several city gates through which the gas may be taken into the PGS distribution system).

Finally, FGT's new tariff tightens the pipeline's ability to enforce the nomination and scheduling provisions contained therein. The "deadline" imposed for the making of nominations will take on new meaning for PGS, because its rights to schedule gas for delivery will be fixed as of the nomination deadline. Thus, as will be explained hereinafter, PGS will need to rely more than ever before on its transportation customers to provide correct nominations of the service they desire. The taking by PGS's transportation customers (and its customers who rely on PGS for both sales and transport) of quantities of gas which are greater or less than those they have scheduled for delivery will have adverse operational and financial consequences for PGS and its system supply customers (primarily residential and commercial customers).

b. Elimination of bundled, no notice sales service. FGT's traditional sales service, which existed for many years on the FGT system, will be eliminated. Thus, PGS and other Florida LDCs will no longer be able to rely on FGT's "bag" of gas from which to draw when their customers' takes of gas exceed their nominations. This is an important change, inasmuch as neither PGS, nor either of the pipelines from which the Company receives deliveries of gas, has any storage capabilities. In an attempt to respond to FERC Order 636, FGT will implement No Notice Transportation Service under its Rate Schedule NNTS for those customers who desire to pay for such service. PGS has contracted with FGT for NNTS service in order to meet the needs of its system supply customers when their demands exceed their expected takes. NNTS service will -- in the case of PGS -- be limited to approximately ten percent of a customer's FTS-1 transportation entitlement on FGT, and will be provided at a premium rate. To the extent PGS's transportation customers take quantities of gas greater than those that have been scheduled for delivery, such overtakes will be considered to have been takes of NNTS service (up to the limit of such service) rather than being considered imbalances. This could result in an increase in the cost of gas for PGS's system supply, to the detriment of its firm ratepayers. Further, in addition to paying a reservation charge for the NNTS service, Peoples will be required to furnish the gas necessary for FGT to provide such service.

c. Balancing of receipts and deliveries. In the past, when deliveries did not match receipts, FGT permitted its customers such as PGS a period of time (roughly 45 days after being notified of the imbalance) within which to either decrease takes or increase deliveries of gas into FGT in order to eliminate the imbalance. That is, a party who took more gas than had been scheduled for delivery would replace that gas in kind during the imbalance resolution period. After November 1, PGS will be expected to operationally balance receipts and deliveries on a daily basis, and will be required to do so when FGT declares an "alert day" or issues an operational flow order. Absent an alert day or operational flow order, PGS will have three days after an operational imbalance occurs within which to remedy the same.

d. Resolution of imbalances. In the past, cumulative imbalances on FGT at the end of a month were simply rectified by increasing deliveries into FGT or reducing takes of gas over the 45-day period permitted. Under FGT's new FERC Gas Tariff, imbalances remaining at the end of each month will be allocated to the contract of the "delivery point operator" at the delivery point at which the imbalances were incurred, regardless of the individual shipper(s) who created the imbalance(s). PGS is the delivery point operator for each of its city gates. Therefore, all imbalances of PGS's customers who cause gas to be delivered by FGT at PGS gates will be allocated to PGS's contract with FGT, and PGS will be responsible for resolving them with FGT and, in turn, with the individual customer's behind PGS's gates who were responsible for their creation.

FGT's tariff provides that PGS may "book out" the net amount of such imbalance with other shippers on FGT (i.e., match, to the extent possible, a positive imbalance under the

PGS contract with the negative imbalance of another FGT shipper). To the extent any imbalance remains after the "book out" procedure, a shipper is required by FGT's tariff to "cash out" with FGT. That is, PGS would be required to sell the amount of any positive imbalance to FGT at the posted price for spot gas delivered to FGT at Tivoli, Texas, in the month in which the imbalance was incurred, or to buy the amount of any negative imbalance from FGT at the posted price for spot gas delivered to FGT at St. Helena Parish, Louisiana, in the month in which the imbalance was incurred. The formulas in FGT's tariff pursuant to which such "cash outs" would be effected create an incentive on the part of FGT's shippers to balance their receipts and deliveries on a monthly basis. However, since all imbalances will be allocated to PGS's contract with FGT, PGS is the "shipper" for the purpose of resolving all imbalances created by its customers. After FGT's restructuring becomes effective, PGS will need, more than ever before, to maintain an operational balance between receipts and deliveries on its system in order to avoid the adverse consequences to its firm ratepayers which can occur in the event FGT declares an alert day or issues an operational flow order.

e. Use of Firm Transportation Capacity on FGT. A number of the Company's interruptible customers have, since August 1990, purchased a portion of their supplies directly from gas producers or marketers at various FGT receipt points. These volumes have been transported on the FGT system using either the end-users' own FGT transportation capacity or PGS's FGT transportation capacity. Several of PGS's end-users who transport have ITS-1 contracts with FGT and occasionally transport their own gas under ITS-1. However, most of the Company's end-users have no FTS-1 firm transportation capacity on FGT and, therefore, their only means of access to firm transportation on FGT has been to use a limited portion of the Company's own firm transportation capacity.

PGS has provided FTS-1 firm transportation capacity to a number of end-users to move their purchased gas from FGT receipt points to various PGS city gates, from which PGS provides transportation on its distribution system to the end-users' gas burning facilities. The manner in which PGS will be able to make such capacity available for use by customers behind its city gates will change effective November 1, 1993. While PGS formerly provided such capacity to its customers by transporting "on behalf of" such customers under its own contract with FGT, it will no longer be able to do so. After November 1, the Company will be able to make capacity available to its customers via two methods: a "buy-sell" arrangement or capacity release.

PGS's tariff approved by this Commission currently contains a City Gate Gas Sales Agreement, which is a form of buy-sell arrangement. However, it requires PGS to deal directly with its customers' suppliers, and will require modification to permit PGS to purchase gas directly from its customers at FGT receipt points, transport the gas under its own FGT transportation agreement, and resell the gas to its customer at the PGS city gate.

PGS will also make a portion of its firm transportation on FGT available to its customers through temporary release of such capacity to such customers, who will (if they meet FGT's creditworthiness requirements) enter into their own contract with FGT. Capacity release -- which will be effected by PGS pursuant to FGT's FERC tariff -- and the implications thereof on the Company's ability to properly manage its system are extremely complex, and because capacity release is subject to FERC's jurisdiction, will not be further discussed here. Furthermore, capacity release is mentioned herein only for informational purposes, since it will require no changes to PGS's tariff on file with this Commission.

PGS's TARIFF MODIFICATIONS

7. The revised tariff sheets for which PGS seeks the Commission's approval, while prompted by FGT's restructuring pursuant to the FERC's orders, are the result of months of negotiations between PGS and a number of its transportation customers who long ago expressed an intense interest in the transition which is about to finally occur on the FGT pipeline system. Numerous PGS personnel, PGS's legal counsel in both FERC and Florida matters, and customer representatives and counsel have spent countless hours drafting and redrafting the new basic provisions which will govern service on the PGS distribution system,

in order to create provisions which are acceptable to both PGS and its customers. As a result of these negotiations, it is the belief of PGS that the changes for which approval is sought will be acceptable to its customers.

8. The major changes in the revised tariff sheets comprising Exhibit A to this Petition may be briefly summarized as follows:

a. Conditions for Transportation of Customer-Owned Gas. A new paragraph F has been added to the General Applicability Provisions of the tariff. This new paragraph provides primarily that each PGS customer which receives transportation service provided by the Company (regardless of whether such customer also purchases gas from the Company pursuant to a rate schedule providing for sales service) must execute a Gas Transportation and Supply Agreement and an Operational Balancing Agreement. The forms of these agreements are set forth in the section of the tariff containing PGS's standard forms. It is the agreements themselves that set forth the terms and conditions of PGS's service to customers which receive any amount of transportation on the PGS distribution system. Although most of the terms are contained in the Gas Transportation and Supply Agreement (and replace provisions formerly found on each transportation rate schedule), the Operational Balancing Agreement (the "OBA") is an integral part of the manner in which PGS will deal with its transportation customers in the future.

b. Gas Transportation and Supply Agreement. The major changes included in the Gas Transportation and Supply Agreement (the "GTA") may be summarized as follows:

(1) Types of service. PGS will provide three basic types of service to its transportation customers. It will provide (i) transportation, pursuant to Section 4.1 of the GTA, of gas which the customer causes to be delivered to PGS's city gates, (ii) sales of gas, pursuant to Section 3.1(a) of the GTA, up to an amount specified by the customer at the time the GTA is executed, and (iii) sales of gas, pursuant to Section 3.1(b) of the GTA, in such amounts as PGS may have available for such sale at the time the customer nominates purchases pursuant to this section. All of the services are interruptible.

(2) Nominating and scheduling service. Section 5.1 sets forth general provisions with respect to nominating and scheduling all three types of service, and provides that quantities of gas nominated by the customer and confirmed by PGS for delivery, will be deemed to be "Scheduled Quantities". It has been previously mentioned that FGT will make deliveries to PGS based on the quantities scheduled, and that imbalances may occur in the event actual takes of gas vary from scheduled quantities. PGS will require its transportation customers to schedule the service they desire to receive on each day in order to maintain a balance between receipts into and deliveries out of its system.

Provisions for scheduling transportation quantities are found in Section 5.3 of the GTA, and similar provisions for scheduling sales quantities are found in Sections 5.2(a) and (b). Section 5.2 provides that PGS will not confirm a nomination for transportation unless the customer has scheduled its "Maximum Sales Quantity" (if the customer has contracted for purchase of gas under Section 3.1(a)) for delivery pursuant to Section 5.2(a). This provision will require the customer to purchase the gas from PGS that PGS may have made contractual arrangements to acquire on behalf of the customer. There is a good reason for this provision.

PGS's requirements for system supply gas at its gate stations vary significantly, not only from season to season or month to month, but from day to day as well. Often, the demand for gas on the Company's system can vary dramatically within a month from the lowest to the highest requirement of its customers. In addition, as will be explained below, since the Company transports a large portion of its total gas throughput for end-user customers who purchase their own supplies directly from producers and marketers, it has, in the past, received large quantities of transportation gas purchased by its transportation customers for delivery at its city gates on a relatively uniform basis from day to day within a month, even though the actual takes of gas out of its system by these transporting customers at their meters can and do vary significantly from day to day. In other words, since such a large portion of the Company's total throughput was received by the Company at a uniform daily rate, the Company was forced to increase or decrease purchases for its own system supply -- often by large increments -- in order to maintain a balance between receipts and deliveries of gas each day. Thus, PGS bought a large portion of its total system requirements in the daily spot market, and met extreme variations in delivered volumes by relying on peaking gas, pipeline swing service and pipeline no notice service at the prevailing rates for such services. While these "swings" may continue to occur from time to time, PGS's large transportation customers will be required to "swing" on their transport volumes, since the amount of gas they have contracted with the Company to provide as a "Maximum Sales Quantity" must be scheduled before PGS will schedule transportation service.

The concept of "Scheduled Quantities" is important for purposes of billing and imbalance resolution under the OBA, as will be explained hereinafter.

(3) Time for nominations for service. Article V of the GTA also contains provisions with respect to the times when customers' nominations for service are due to PGS. The nomination deadlines in the revised tariff sheets are designed to permit PGS to know what its transportation

customers have nominated prior to the time that PGS must provide its own nominations to FGT and South Georgia for its system supply (or for balancing). Provision is made in Section 5.1 for confirmation of nominations submitted after the deadline to the extent feasible, in order to permit customers to change the quantities of gas involved in their nominations even during the day the gas is scheduled to flow. This provision will assist PGS's customers in maintaining a balance between their Scheduled Quantities and their "Actual Takes" (defined in the GTA and the OBA as the quantity of gas delivered at and passing through the meter(s) at the customer's facility for any given period of time).

(4) Base Rate Charges. Section 9.1 of the GTA provides for PGS's billing of its non-gas energy charge (in the case of sales) and transportation charge based on Scheduled Quantities. Any difference between Scheduled Quantities and Actual Takes for each customer will be resolved by the provisions of the OBA.

(5) Right to use the customer's gas supply. At times when PGS must curtail deliveries of gas to its interruptible transportation customers in order to maintain service to its firm customers (e.g., during a period such as the 1989 Christmas freeze), Section 13.4 provides (as each interruptible transportation rate schedule currently provides) that PGS may use the

customer's gas (which is flowing on or into the PGS system at the time of the curtailment). The present rate schedules provide that, in instances where PGS uses the customer's gas, a like quantity will be delivered to the customer over up to a three-month period following the period of the curtailment. This procedure will become unworkable after the restructuring on FGT. This provision has been modified to provide that PGS will purchase the flowing gas at a price per MMBtu equal to the sum of (a) the price for spot gas delivered to FGT at St. Helena Parish, Louisiana, as reported in Natural Gas Week for the week in which PGS purchased the gas, and (b) the 100 percent load factor rate the customer paid to FGT (or another transporter delivering to the PGS system) for transportation of such gas. This provision will be workable after the restructuring on FGT, will provide a form of "storage" for PGS during times of curtailment, and provides for payment to the customer of a fair price (but one that in all likelihood will be below the price PGS would have to pay to obtain like quantities of gas for its system supply during what may be a period of extraordinary demand).

(6) Other changes. In general, the remaining changes made by the GTA to the present rate schedules are designed to conform PGS's tariff to its current method of operation, and to effect non-substantive changes in language.

c. Operational Balancing Agreement. PGS's current tariff provisions provide for the resolution of imbalances in a manner similar to that previously provided in FGT's FERC Tariff. That is, PGS previously permitted its customers to resolve imbalances on a similar basis, and within approximately the same time, as FGT required of PGS. As previously indicated, FGT will, after November 1, 1993, no longer permit imbalances to be created on its system (and left unresolved as of the end of any calendar month), since it will require the delivery point operator to either "book out" or "cash out" as of the end of each month. Thus, PGS has changed its own procedure for the resolution of imbalances to utilize a procedure similar to that to be used by FGT, and permit PGS to assign responsibility for any imbalance created by a particular customer to that customer and no others. That is, the customer responsible for the creation of an imbalance on the PGS system will be required to resolve it through "cashing out" with PGS as of the end of each billing period. (It should be noted that PGS's present tariff provides that the receipts and deliveries for each customer be equal on each day. No change in this intent has been made in the GTA or the OBA.)

The OBA provides that, at the end of each billing period, the "Operational Imbalance Amount" of the customer will be determined by subtracting his Actual Takes from his Scheduled Quantities for each day, and summing the results. The result is the "Monthly Imbalance Amount".

PGS will purchase any positive Monthly Imbalance Amount from the customer at a price per therm (the "Unit Price") equal to the sum of (1) the average Zone 1 Price for the billing period in which the Monthly Imbalance Amount was incurred, multiplied by the applicable factor set forth below:

Imbalance Level	Factor
0% to 5%	1.00
Greater than 5% to 20%	0.90
Greater than 20%	0.80

plus (2) an amount equal to the sum of (i) the usage rate (including, but not limited to, usage charges, surcharges, fuel reimbursement charges, and other charges, taxes, assessments and fees) paid to FGT or another transporter by the customer and (ii) the 100 percent load factor equivalent of the lesser of the reservation charge paid to the transporter by the customer or the FTS-1 reservation charge of FGT. The total amount due the customer would be the product of the Unit Price (calculated as described above) and the Monthly Imbalance Amount. The Imbalance Level (for purposes of determining which of the above percentages to use in calculating the purchase price) would be calculated by dividing the Monthly Imbalance Amount by the Scheduled Quantities for the billing period in which the Monthly Imbalance Amount accumulated.

PGS will sell any negative Monthly Imbalance Amount to the customer at a price per therm (the "Unit Price") equal to the sum of (1) the average Zone 3 Price for the billing period in which such Monthly Imbalance Amount accumulated, multiplied by the applicable factor set forth below:

Imbalance Level	Factor
0% to 5%	1.00
Greater than 5% to 20%	1.10
Greater than 20%	1.20

plus (2) an amount equal to the sum of (i) the usage rate (including, but not limited to, usage charges, surcharges, fuel reimbursement charges, and other charges, taxes, assessments and fees) paid to the transporter by PGS, (ii) the 100 percent load factor equivalent of the FTS-1 reservation charge of FGT and (iii) PGS's Commission-approved rates and charges under the applicable rate schedule. The total amount due PGS would be the product of the Unit Price (calculated as specified above) and the Monthly Imbalance Amount. The Imbalance Level would be determined in the same manner (previously described) as for a positive Monthly Imbalance Amount.

9. Although PGS presently has only approximately 30 transportation customers, they account for a major portion of the throughput of gas on the Company's distribution system. Further, it is likely that a number of the Company's other customers who presently only purchase gas from the Company's system supply will desire to obtain transportation service from PGS in the near future. It is therefore critical that the tariff modifications contained in Exhibit A to this Petition be approved to become effective as soon as possible in order that PGS will have the appropriate "tools" with

which to manage its distribution system after FGT's restructuring becomes effective on November 1, 1993. The changes for which approval is sought herein will assist PGS in maintaining operational balance on its system, and in its efforts to prevent any adverse impact on its traditional system supply customers as a result of the operational changes which will be implemented by FGT and South Georgia.

10. The Commission Staff has followed closely the proceedings before the FERC which resulted in the changes being implemented by FGT. However, to the extent that the Commission or the Commission Staff require or desire any additional information from PGS with respect to the changes for which approval is sought herein, PGS will provide the same promptly.

WHEREFORE, PGS respectfully prays the Commission will expedite its consideration of this tariff filing, and enter its order permitting the revised tariff sheets comprising Exhibit A to this Petition to become effective on the date of the Commission's vote disposing of this Petition.

Respectfully submitted,

Ansley Watson Jr.

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Attorneys for Peoples Gas System, Inc.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition of Peoples Gas System, Inc. for Approval of Modifications to its Natural Gas Tariff in order to reflect restructuring of services by Florida Gas Transmission Co.	DOCKET NO. 931021-GU Submitted for Filing: 11-22-93

SUPPLEMENT TO
PETITION FOR APPROVAL OF TARIFF MODIFICATIONS

Petitioner, PEOPLES GAS SYSTEM, INC. ("PGS" or "Company"), by its undersigned attorneys, files this supplement to its petition for approval of modifications to its Natural Gas Tariff, previously filed in this docket on October 21, 1993, and in support thereof says:

1. The Company's petition for approval of its tariff filing in this docket was scheduled to be considered by the Commission at its Agenda Conference on November 9, 1993, but was deferred at the request of two of Peoples' customers -- Lake Cogen, Ltd. and Pasco Cogen, Ltd. ("Intervenors"). Peoples did not object to the deferral sought by Intervenors.

2. Peoples has met with the Intervenors to discuss the tariff filing for which approval is sought in this docket. As a result of the discussions between Peoples and the Intervenors, Peoples desires to make two modifications to the revised tariff sheets comprising Exhibit A to the Petition in this docket.

3. Section 13.4 of the Gas Transportation and Supply Agreement (Exhibit A, Original Sheets Nos. 8.213 and 8.214) is

modified to read as follows (changes being shown in legislative format):

> Section 13.4 Right to Use Shipper's Gas Supply. In the event deliveries of Gas to Shipper hereunder are curtailed or interrupted pursuant to Section 13.3, Shipper shall sell to PGS, and PGS shall purchase from Shipper, that portion of Scheduled Quantities of Shipper's Gas that is curtailed or interrupted pursuant to Section 13.3; provided, however, that Shipper shall have no obligation to sell such Gas to PGS if Shipper has no Gas flowing at the time the interruption or curtailment is noticed, or is otherwise unable to deliver Gas to PGS; and provided further, however, that, after receiving a curtailment or interruption notice from PGS, unless otherwise directed by PGS, Shipper shall not curtail, cause to be curtailed, redirect, or cause to be redirected, any of its Scheduled Quantities in a manner which would have the effect of reducing the quantities of Gas delivered at the PGS Receipt Point(s). For all Gas sold by Shipper to PGS pursuant to this section, PGS shall pay to Shipper an amount per MMBtu equal to the sum of (a) either (i) if the Gas was purchased by Shipper pursuant to a contract with an initial term of ten (10) or more years providing for firm purchases and sales of Gas, the price at which such Gas was purchased by Shipper, or (ii) in all other cases, the price for spot Gas delivered to FGT at St Helena Parish, Louisiana, as reported in Natural Gas Week for the week in which PGS purchased the Gas, and (b) the 100 percent load factor rate Shipper paid to Transporter for transportation of such Gas. If PGS is required to pay Shipper an amount determined pursuant to (a)(i) above for Gas purchased pursuant to this section, Shipper shall furnish to PGS a copy of the applicable contract(s) or other suitable evidence of the term(s) thereof and the price(s) thereunder upon request. PGS warrants that it will not at any time exercise its right to use Shipper's Gas supply pursuant to this section based solely upon a determination that Shipper's Gas is less expensive than Gas which is, at the time of the exercise of such right, otherwise available to PGS. PGS shall, if it purchases Shipper's Gas pursuant to this Section 13.4, continue to make such purchases until deliveries of such Gas for Shipper's account using the FGT Capacity (as defined in the Capacity Release Agreement) at the PGS Receipt Point(s) can be resumed.

4. Section 3.3(a) of the Operational Balancing Agreement (Exhibit A, Original Sheet No. 8.303) is modified to read as follows (changes being shown in legislative format):

Section 3.3 Resolution of Monthly Operational Imbalance Amounts. It is the intent of the parties hereto that all Daily Imbalance Amounts shall be resolved as of the end of each Billing Period. At the end of each Billing Period, all Daily Imbalance Amounts incurred during such Billing Period shall be summed, and the result shall be the Monthly Imbalance Amount, which shall be resolved in cash as follows:

(a) If a Monthly Imbalance Amount is Positive, PGS shall purchase from Shipper (and Shipper shall sell to PGS) such Monthly Imbalance Amount at a price per Therm (the "Unit Price") equal to the sum of (1) the average Zone 1 Price for the Billing Period in which such Monthly Imbalance Amount was incurred, multiplied by the applicable factor set forth below:

Imbalance Level	Factor
0% to 5%	1.00
Greater than 5% to 20%	0.90
Greater than 20%	0.80

plus (2) an amount equal to the sum of (i) the usage rate (including, but not limited to, usage charges, surcharges, fuel reimbursement charges, and other charges, taxes, assessments and fees) paid to Transporter by Shipper and (ii) the one hundred percent (100%) load factor equivalent of the lesser of the reservation charge paid to Transporter by Shipper or the FTS-1 reservation charge of FGT. If, due to Force Majeure (as defined in the PGS Transportation Agreement), Shipper is unable (by adjusting its Scheduled Quantities and/or Actual Takes) to correct any Positive Daily Imbalance Amount(s), the Unit Price to be paid to Shipper by PGS for such Monthly Imbalance Amount shall also include the Transportation Component. The total amount due Shipper pursuant to this Section 3.3(a) shall be the product of the Unit Price (calculated as set forth herein) and such Monthly Imbalance Amount. The Imbalance Level shall be calculated by dividing the Monthly Imbalance Amount by the Scheduled Quantities for the Billing Period in which such Monthly Imbalance Amount accumulated.

5. PGS has confirmed with representatives of the customers with which it negotiated prior to the filing of its petition herein that the changes set forth above are acceptable to such customers, and that such customers support approval of PGS's new tariff provisions as herein modified. PGS also believes that the modifications made by this supplemental filing will have no effect

on the Staff's recommendation that such new tariff provisions be approved by the Commission.

WHEREFORE, PGS respectfully prays the Commission will expedite its consideration of this tariff filing, consideration of which was previously deferred, and enter its order permitting the revised tariff sheets comprising Exhibit A to the Company's petition herein (as hereinabove modified) to become effective on the date of the Commission's vote disposing of the petition as modified.

Respectfully submitted,

Ansley Watson Jr.

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Attorneys for Peoples Gas System, Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing Supplement to Petition for Approval of Tariff Modifications has been furnished this 20th day of November, 1993, to Patricia A. Curran and Matthew M. Schreck, Esquires, Curran, Corbett & Stiles, P.C., 800 Gessner, Suite 930, Houston, Texas 77024 (by facsimile and Federal Express); Vicki Gordon Kaufman, Esquire, McWhirter, Reeves, McGlothlin, Davidson & Bakas, 315 South Calhoun Street, Suite 716, Tallahassee, Florida 32301 (by facsimile and Federal Express); and Martha Carter Brown, Esquire, Division of Legal Services, Florida Public Service Commission, Fletcher Building, 101 East Gaines Street, Tallahassee, Florida 32301 (by facsimile and Federal Express).

Ansley Watson Jr.