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February 15, 1996

ORIGINAL
THE COPY

HAND-DELIVERED

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

960185-GU

Re: Petition for approval of Off-System Sales Rate Schedule (Rate Schedule OSS) by City Gas Company of Florida

Dear Ms. Bayo:

Enclosed for filing and distribution are the original and sixteen copies of Petition of City Gas Company of Florida for Approval of Off-System Sales Rate Schedule 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.

Sincerely,

Joseph A. McGlothlin

JAM/jei

Enclosures

RECEIVED & FILED

DOCUMENT NUMBER-DATE

01838 FEB 15 96

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FILE COPY

In Re: Petition for approval of)
Off-System Sales Rate Schedule)
(Rate Schedule OSS) by City Gas)
Company of Florida)

Docket No. 960185-GU
Filed: February 15, 1996

**PETITION OF CITY GAS COMPANY OF FLORIDA
FOR APPROVAL OF OFF-SYSTEM SALES RATE SCHEDULE**

City Gas Company of Florida ("City Gas"), through its undersigned attorney, files its petition for approval of its Off-System Sales Rate Schedule (Rate Schedule OSS), and requests that it become effective on the date of the Commission's vote disposing of this petition. In support of its petition, City Gas states:

1. The name and address of the Company is:

City Gas Company of Florida
955 East 25th Street
Hialeah, FL 33013

2. The names and addresses of the persons authorized to receive notices and communications with respect to this petition are:

Joseph A. McGlothlin
McWhirter, Reeves, McGlothlin
Davidson, Rief & Bakas, P.A.
117 S. Gadsden Street
Tallahassee, FL 32301

Michael Palecki
City Gas Company of Florida
955 East 25th Street
Hialeah, FL 33013

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

BACKGROUND

3. Through its natural gas distribution system, which is located in portions of Dade, Brevard, Broward and St. Lucie Counties, City Gas provides both sales service and transportation service for residential, commercial and interruptible customers. To provide sales service to its customers, City Gas purchases natural gas from numerous suppliers, and utilizes its firm transportation capacity on Florida Gas Transmission (FGT) to transport the gas from receipt points on FGT's interstate pipeline system in the gas production areas to delivery points where the facilities of FGT interconnect with those of City Gas; City Gas then delivers the gas to its sales customers through its local distribution facilities. Transportation service is provided in the same manner, except that City Gas does not purchase the gas, but receives it for the account of its transportation customers at the interconnection of its facilities with those of FGT. In the case of transportation service, transportation over the system of FGT is arranged by the party delivering the gas to City Gas. This may be accomplished either by using firm capacity which City Gas has released or, alternatively, by using other firm or interruptible transportation capacity held by the shipper on the pipeline.

4. At various times, the demands of City Gas customers are less than the total quantity of firm capacity that City Gas has reserved on FGT,. This takes place for two principal reasons. First, historically, the capacity of FGT's pipeline system has been constrained. City Gas can increase its capacity on the FGT system only during major expansions of FGT's pipeline. For this reason, City Gas has had to reserve

sufficient capacity on the pipeline to provide for system growth during the periods between such expansions. Second, due to seasonal, monthly, and daily fluctuations in its customers' requirements for gas, coupled with the seasonal limitations FGT has placed on subscriptions of capacity, some of the capacity reserved by City Gas on FGT's interstate pipeline becomes available from time to time. Whether or not all of the reserved capacity is used by City Gas or its customers, the fixed reservation charges associated with all of that capacity must be paid to the pipeline: all reservation charges are borne by all of City Gas' sales customers through the Purchased Gas Adjustment ("PGA") Clause.

5. From time to time, City Gas has the opportunity to utilize the capacity on FGT that is not required to meet its system requirements to make incremental sales of gas to customers who are not connected to City Gas' distribution system, but who are able to receive gas through FGT. These incremental sales would improve City Gas' load factor, spread the fixed reservation charges over more units of sales, aid in avoiding FGT Operational Flow Order penalties and Alert Day balancing charges, and thereby reduce the portion of the per-therm PGA factor attributable to unused reservation charges.

6. At City Gas' request, in 1994 the Commission approved a Load Development Rate, pursuant to which City Gas may on occasion reduce its reservation charges by sales of natural gas and available pipeline capacity to Orlando Utilities Commission. City Gas now proposes to augment the benefits available under this tariff by identifying opportunities for similar sales under a new tariff that would be

applicable to any customer not connected to the Company's distribution system.

PROPOSED RATE SCHEDULE OSS

7. In order to make the incremental sales described above, City Gas seeks approval for its Rate Schedule OSS (attached hereto as Exhibit A), which would provide for interruptible sales of gas to any person not connected to the Company's distribution system.

8. Sales under Rate Schedule OSS would be made only when City Gas has available capacity on FGT. No minimum quantities would be required to be taken by a customer in order to participate in transactions under the new rate schedule.

9. Under the OSS Rate Schedule, City Gas is proposing an Energy Charge that would be an amount determined by City Gas based on competitive conditions existing at the time of each transaction. At a minimum, the Energy Charge will recover the cost of gas and all variable costs incurred for (or in connection with) Pipeline transportation, plus applicable taxes. Therefore, except for any administrative expenses incurred by City Gas in connection with transactions under Rate Schedule OSS as proposed herein, City Gas sales customers would always realize a net benefit -- in the form of lower overall gas costs -- from any level of sales made under the proposed new rate schedule.

10. In order to offset the administrative expense mentioned above, City Gas proposes -- in lieu of a monthly customer charge -- a charge of \$100 for each transaction under the schedule. This transaction charge -- which would be credited to the PGA -- is designed to ensure that the benefits received by non-participating

customers through the reduction in PGA charges are not diluted by the costs of administering the sales.

11. Transactions under proposed Rate Schedule OSS will be in the nature of true "opportunity sales". Neither City Gas nor prospective customers will have any obligation under the tariff to sell or purchase any specific quantities of natural gas. While transactions will only occur if the price exceeds the variable costs, the competitive market at the time will determine that price. It is therefore not possible to project (whether for budget purposes or revenue requirements determinations) the level of future transactions, either as to volumes that City Gas may be able to sell or net revenues (revenues in excess of the cost of gas and associated variable costs) that it may receive. To deal with the uncertainty associated with such opportunity transactions, and to assure the Commission that ratepayers will benefit appropriately from any net revenues associated with off-system transactions regardless of the fluctuations in volumes and revenues associated with such off-system sales over time, City Gas has incorporated in Rate Schedule OSS a mechanism for sharing on a 50/50 basis with its sales customers any net revenues the Company derives from sales under the new rate schedule. Under this mechanism, City Gas will retain 50% of such net revenues, and customers will receive 50% of the net revenues through a credit to the cost of purchased gas in the PGA docket. In the Company's most recent rate case, Docket No. 940276-GU, the Commission approved an identical measure as the appropriate means of allocating net revenues received under the Load Development Rate between the Company and its customers.

WHEREFORE, City Gas requests that the Commission approve its proposed Rate Schedule OSS (see Exhibit A), to become effective on the date of the Commission's vote disposing of this petition.

Joseph A. McGlothlin
JOSEPH A. MCGLOTHLIN

McWhirter, Reeves, McGlothlin
Davidson, Rief & Bakas
117 S. Gadsden Street
Tallahassee, FL 32301
(904) 222-2525

Attorneys for City Gas
Company of Florida

OFF-SYSTEM SALES SERVICE
RATE SCHEDULE OSS

1. AVAILABILITY

Throughout the service areas of Company, and of any interstate or intrastate natural gas pipeline serving the Company (collectively, the "Pipelines")

2. APPLICABILITY

Interruptible Gas delivered by Company through the facilities of a Pipeline, using Company's transportation capacity rights on such Pipeline, to any person not connected to Company's distribution system.

Customer Charge: None

Transaction Charge: \$100.00 per transaction

Energy Charge:

For all Scheduled Quantities (as such term is defined in Special Condition 5 below), the Energy Charge per therm shall be established by agreement between Company and Customer prior to each transaction pursuant to this rate schedule.

The Energy Charge for service pursuant to this rate schedule shall be determined by Company based upon Company's evaluation of competitive conditions. Such conditions may include, but are not necessarily limited to: the cost of gas which is available to service Customer; the delivered price and availability of Customer's designated alternate fuel; and the nature of Customer's operations (such as load factor, fuel efficiency, alternate fuel capacity, etc.). Company may from time to time increase or reduce the Energy Charge as it deems necessary or appropriate to meet competition or remain competitive, but shall have not an obligation to do so.

The Energy Charge per therm shall include, at a minimum, the cost per therm

Issued by: Michael Palecki
Vice President of Regulatory Affairs

Effective Date:

of the Gas delivered to Customer pursuant to this rate schedule, including all variable costs incurred by Company for (or in connection with) Pipeline transportation and all applicable taxes. Company's Purchase Gas Cost Recovery Adjustment Clause, Energy Conservation Cost Recovery Clause and Competitive Rate Adjustment Clause shall not apply to purchases of Gas made by Customer Pursuant to this rate schedule.

Special Conditions:

1. Neither Customer nor Company shall have any obligation to other for any specific minimum quantity of Gas or pipeline capacity on any day or during any month, and deliveries pursuant to this rate schedule shall be subject to curtailment or interruption at any time in the sole discretion of Company.
2. Amounts payable to Company pursuant to this rate schedule shall be subject to the operation of the Company's Taxes and Other Adjustments set forth on Sheet No. 26.
3. Disposition of Net Revenues and Transaction Charges. For purposes of this paragraph 3 "net revenues" shall equal the difference between the Energy Charge and the cost of gas delivered to Customer inclusive of all taxes and adjustments. Fifty percent (50%) of all net revenues shall be retained by Company. The remaining fifty percent (50%) of such net revenues (and all Transaction Charges) shall be used to reduce Company's cost of gas recovered through the Purchased Gas Cost Recovery Adjustment Clause.
4. Interruption and Curtailment. Company may notify Customer at any time to reduce or cease using Gas. Company will endeavor to give as much notice as possible to Customer.

Any gas taken in excess of the volume allocated to Customer in an interruption or curtailment order shall be considered to be unauthorized overrun gas. Company may bill and Customer shall pay for such unauthorized overrun gas, in addition to other charges payable hereunder, at the greater of \$1.50 per therm or the rate per therm

imposed on Company by the delivering Pipeline.

5. For each day on which Customer desires to receive service pursuant to this rate schedule, Customer shall provide a nomination to Company specifying the quantity of Gas it desires to receive at the specified point of delivery pursuant to this Agreement. Following receipt of a timely and complete nomination from Customer, Company will confirm the quantities of Gas to be made available for delivery to Customer at such point of delivery. Quantities confirmed by Company for delivery shall be "Scheduled Quantities".
6. The point of delivery for all gas sold pursuant to this rate schedule shall be the delivery point of the delivering Pipeline specified by Customer.
7. Except as modified by the provisions set forth above, service under this rate schedule shall be subject to the Rules and Regulations set forth in this tariff.