

LAW OFFICES

McWHIRTER, REEVES, MCGLOTHLIN, DAVIDSON, RIEF & BAKAS, P.A.

100 NORTH TAMPA STREET, SUITE 2800  
TAMPA, FLORIDA 33602-5126

TALLAHASSEE OFFICE  
117 N. GADSDEN  
TALLAHASSEE, FLORIDA 32301  
TELEPHONE (904) 222-2525  
FAX (904) 222-5000

LYNWOOD F. ARNOLD, JR.  
JOHN W. BAKAS, JR.  
HARRY LEE COE, IV  
LINDA DANESEY HARTLEY  
C. THOMAS DAVIDSON  
STEPHEN O. DECKER  
LINDA E. JORGE  
VICKI GORDON KAUFMAN  
JOSEPH A. MCGLOTHLIN  
JOHN W. McWHIRTER, JR.  
RICHARD W. REEVES  
FRANK J. RIEF, III  
DAVID W. STERN  
PAUL A. STRANKE

MAILING ADDRESS: TAMPA  
P.O. BOX 3350, TAMPA, FLORIDA 33601-3350

TELEPHONE (813) 224-0866

FAX (813) 221-1854

CABLE GRANDLAW

PLEASE REPLY TO:  
TALLAHASSEE

960920-GU

August 14, 1996

HAND-DELIVERED

Ms. Linda Williams  
Division of Records and Reporting  
Gunter Building  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0870

ACK \_\_\_\_\_  
AFA \_\_\_\_\_  
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CAF \_\_\_\_\_  
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RCA \_\_\_\_\_  
SFA \_\_\_\_\_  
VFA \_\_\_\_\_  
WFA \_\_\_\_\_

Re: Petition of City Gas Company of Florida for Approval of Flexible Service  
Tariff, originally assigned Docket No.: 960502-GU

Dear Linda:

On August 6 and August 8, 1996, respectively, City Gas Company of Florida (City Gas) filed an original and an amended petition seeking approval of a new Flexible Gas Service tariff. Within the petition, City Gas explained that the purpose of the petition was to pull the proposed tariff from Docket No. 960502-GU, the general rate case in which it was first proposed, and offer it as a separate, stand-alone tariff filing. However, through an oversight, the two pleadings carried the document number of the rate case. They should be assigned a separate docket number.

Today I am filing a Second Amended Petition. I would appreciate it if you would assign a new separate docket number to this pleading and reflect the same number on the two earlier petitions.

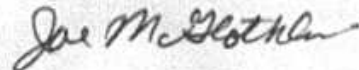
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*[Signature]*  
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE  
08553 AUG 14 96  
FPSC-RECORDS/REPORTING

Ms. Linda Williams  
August 14, 1996  
Page 2

Thank you for your assistance. I apologize for any confusion our oversight caused. Please call me if you have any questions.

Yours truly,



Joseph A. McGlothlin

JAM/jei

Enclosure

cc: Vicki Johnson  
Wayne Makin

25% Cotton Fiber USA



SOUTHMOUTH RECYCLED

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Petition of City Gas Company )  
of Florida for authority to implement )  
Proposed Flexible Gas Service rate. )  
\_\_\_\_\_ )

Docket No. 960920 GU  
Filed: AUGUST 14, 1996

**SECOND AMENDED PETITION FOR AUTHORITY  
TO IMPLEMENT PROPOSED FLEXIBLE GAS SERVICE TARIFF**

Pursuant to §366.07, Florida Statutes (1995) and Rule 25-9.005(4)-(5), Florida Administrative Code, City Gas Company of Florida ("City Gas" or the "Company"), the Florida operating system of the Southern division of NUI Corporation ("NUI"), by and through its undersigned counsel, hereby petitions the Florida Public Service Commission ("the Commission") for approval of City Gas' proposed Flexible Gas Service ("FGS") tariff.

In support of this petition, City Gas states:

1. The original petition was filed on August 6, 1996. It was amended on August 8, 1996 to include physical relocation as a potential basis for qualification of a customer under the tariff. The purpose of the second amended petition is to revise the tariff as it relates to existing customers who may seek to qualify for service thereunder, so as to apply in all instances the requirement that the Company remove from rate base a portion of the depreciated costs of common distribution mains reflecting the size of the pipe serving the customer and the distance of the customer from the interstate pipe line.

2. City Gas was incorporated under the laws of Florida in 1949. Its headquarters are located at 955 East 25th Street, Hialeah, Florida 33013-3498. City Gas began its operations as a distributor of liquid petroleum gas ("LPG") through underground pipelines in Florida. In 1960, City Gas began to purchase natural gas for distribution and thus became regulated by the Florida

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

Public Service Commission.

3. In 1988, City Gas was acquired by NUI. City Gas became a division of Elizabethtown Gas Company, which was then a subsidiary of NUI.

4. When NUI merged with Pennsylvania and Southern Gas Company (a natural gas distribution company with service areas in four states), it also merged with its subsidiary Elizabethtown. NUI is now a single entity with two operating divisions conducting business in six states. City Gas is part of the Southern operating division of NUI. The principle offices of NUI, a New Jersey corporation, are located at 550 Route 202-206, Bedminster, New Jersey.

5. City Gas currently serves nearly 100,000 customers in parts of Dade, Broward, Brevard, and St. Lucie Counties, Florida. The Company intends to initiate service to customers in Indian River County in 1996.

6. As the Commission is aware, federal initiatives have transformed the distribution of natural gas from what was traditionally a monopoly enterprise to one of multiple providers who participate in a competitive market. Whereas City Gas was at one time the sole source of natural gas to an exclusive customer base, those customers now have options. In addition, customers are becoming increasingly aware of their ability to meet their energy requirements with alternative sources of energy. The customers' options may include physical relocation, bypassing City Gas' distribution system by connecting directly to the interstate pipeline, or accessing viable fuel alternatives, such as propane, fuel oil, and/or electric energy.

7. Over time, the Commission has recognized the changing markets City Gas faces by providing the Company with a degree of flexibility in certain situations. However, particularly with respect to its ability to attract new customers and to compete in new markets, the Company

requires more flexibility to compete effectively for customers who have viable energy alternatives.

8. By this petition, City Gas seeks authority to implement a new Flexible Gas Service tariff. 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 that existing customers will never be called upon to subsidize contracts entered pursuant to the tariff.

9. City Gas' proposed flexible gas service rates will apply, in the Company's discretion, only to customers who show that viable options exist for fulfillment of their energy needs at a rate lower than the Company's standard tariffs. Only after receipt and review of a documented statement detailing a customer's option would the Company offer Flexible Gas Service to any customer.

10. Importantly, City Gas' proposed tariff incorporates several protective measures designed to ensure that existing customers will not be adversely affected by the adoption of the Flexible Gas Service tariff for new customers. To ensure that other customers have no responsibility for costs attributable to this tariff, in future rate cases the Company will impute revenues sufficient to offset the administrative costs of serving customers under the Flexible Gas Service Tariff so that other customers will not bear these costs. Additionally, the Company will not attempt to recover from the other customers the difference between the otherwise applicable tariff rate and the Flexible Gas Service contract rate, either through cost recovery clauses or during future base rate cases. This degree of protection sets City Gas' proposal apart from other competitive measures that have been brought to the Commission. Thus, the tariff rate will assist the Company to be competitive and at the same time will shield the remaining customers from

any additional costs associated with competitive efforts.

11. The Flexible Gas Service tariff will have a floor equivalent to the incremental cost of providing service to the customer. The Company will exclude all incremental capital costs related to serving the customer from rate base and will retain all revenue received from these customers. While the Flexible Gas Service tariff is intended primarily to enable the Company to compete effectively for new customers who have viable alternatives to the Company's service, there may be instances in which the tariff could be applicable to existing customers. In such instances, in addition to excluding all incremental capital costs from rate base, the Company shall 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 addition to investments made specifically to serve the existing customer, the tariff requires the Company to remove from rate base a portion of the depreciated costs of common distribution mains reflecting the size of the pipe serving the customer and the distance of the customer from the interstate pipeline. To illustrate how the costs associated with a customer will be excluded from rate base, the Company has prepared several hypothetical examples, which are attached as Exhibits A and B to this petition.

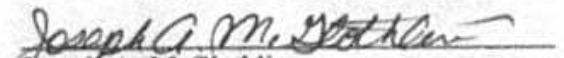
12. City Gas' proposed Flexible Gas Service Tariff contemplates that the Company will submit information relating to each contract entered pursuant to the tariff to the Commission within 30 days of execution of the contract. The information will include the name of the customer, the contract rate, the alternative energy sources available to the customer that justified the application of the Flexible Service Tariff, and a copy of the contract entered between the customer and the Company pursuant to the tariff. 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 provisions as an essential component of the tariff, without the approval of which the Company could not offer the program.

13. City Gas initially proposed this tariff as a part of its general base rate petition filed on June 18, 1996 in Docket No. 960502-GU. City Gas has elected to pursue the tariff separately because of the importance the tariff represents to the competitiveness of the Company.<sup>1</sup> The authority to implement greater price flexibility is imperative to City Gas' ability to succeed in the present, highly competitive energy market.

WHEREFORE, City Gas respectfully requests that the Florida Public Service Commission authorize the Company to implement its proposed Flexible Gas Service tariff under the conditions and procedures set forth herein.

Respectfully submitted this 14th day of August, 1996.

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

Attorneys for City Gas Company  
of Florida

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<sup>1</sup> The petition filed on August 6 and August 8 inadvertently bore the docket number assigned to the Company's pending base rate request. The above docket has been established for the separate consideration of the proposed Flexible Gas Service tariff.

**City Gas of Florida**  
**Flexible Gas Service Tariff Incremental Cost - Dedicated Facility**

Exhibit A  
 Page 1 of 3

**Dedicated Facility Example 1/**

**Capital Cost - Incremental**

<u>Description</u>	Labor	Materials	Total
Incremental Cost of Plant:			
Distribution Main	\$5,000	\$105,000	\$110,000
Regulator	\$200	\$3,000	\$3,200
Service Line	\$500	\$5,000	\$5,500
Meter Set	\$500	\$5,100	\$5,600
<b>Total</b>	<b>\$6,200</b>	<b>\$118,100</b>	<b>\$124,300 *</b>

- 1/ This hypothetical example assumes a new customer who would receive service entirely from new facilities. For this reason, there would be no need to remove a portion of embedded costs from rate base in conjunction with the execution of the FGS contract with the new customer. Only the "incremental costs", that established with building the new facilities, would be excluded from rate base.

\* Capital cost excluded from Rate Base



**City Gas of Florida**  
**Flexible Gas Service Tariff Incremental Cost - Dedicated Facility**

Exhibit A  
 Page 2 of 3

**Dedicated Facility Example 2/**

**Estimated O & M Expenses - Incremental**

	Man Hours	Labor	Other	Total
<b>I</b>				
<u>Customer Maintenance:</u>				
Leak Surveys (main and service line)	8	\$160	\$175	\$335
Meter Set Maintenance	8	\$160	\$800	\$960
Valve Maintenance	12	\$240	\$800	\$1,040
<b>II</b>				
<u>Pipe Inspection:</u>				
Exposure Reports	8	\$160	\$50	\$210
Locate for Others	8	\$160	\$100	\$260
Third Party Monitoring	8	\$160	\$75	\$235
<b>III</b>				
<u>Cathodic Protection:</u>				
Pipe to Soil Survey	4	\$80	\$100	\$180
Interference Testing	4	\$80	\$100	\$180
Atmospheric Inspection	8	\$160	\$50	\$210
Magnesium Anode Replacement	2	\$40	\$100	\$140

DEDICATED

IV Administrative Functions

Meter Reading	4	\$100	\$500	\$600
Billing	12	\$300	\$500	\$800
Other	24	<u>\$600</u>	<u>\$200</u>	<u>\$800</u>
<b>Total Estimated O &amp; M Expenses</b>		<u>\$2,400</u>	<u>\$3,550</u>	<u>\$5,950</u> *

- 2/ In this example, because the hypothetical assumes only dedicated facilities to serve the FGS customer, the only revenues to be imputed to protect existing customers are those that correspond with the expenses of operating the dedicated facilities.

*\* Amount of revenue which would be imputed in future base revenue proceeding and used in monthly surveillance reports.*

COMMON

City Gas of Florida

Flexible Gas Service Tariff Incremental Cost - Common Facility

Exhibit B

Page 1 of 4

Common Facility Example 1/

**Capital Cost - Incremental**

Description

Labor	Materials	Total
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Incremental Cost of Plant:

Distribution Main Extension	\$3,000	\$10,000	\$13,000
Regulator	\$200	\$3,000	\$3,200
Service Line	\$500	\$5,000	\$5,500
Meter Set	<u>\$500</u>	<u>\$5,100</u>	<u>\$5,600</u>
Total	\$4,200	\$23,100	\$27,300 *

**Capital Cost - Common**

Description

Main: Original Cost	\$80,000
Accumulated Depreciation	<u>\$40,000</u>
<b>Net Cost</b>	\$40,000

	COMMON	
Peak Capacity of Common Main	50	MCF/Hour
Peak Load of New Customer	10	MCF/Hour
Percent of Common Main Allocated to New Customer	20.0%	
<b>Total Cost Allocation to New Customer</b>		<b><u>\$8,000</u> **</b>
<b>Total Capital</b>		<b><u>\$35,300</u></b>

\* Capital cost excluded from Rate Base.

\*\* Amount to be removed from Rate Base.

- 1/ This hypothetical assumes the FGS customer will be served partially through existing facilities and partially through new facilities. As a result, all capital costs associated with the new facility plus a portion of embedded costs related to existing plant that will be used to serve the customer will be excluded from rate base.
- Typically, this scenario will apply to new customers; however it could conceivably apply to an existing customer whose service line is being enhanced in conjunction with a change to the FGS tariff.

COMMON

City Gas of Florida

Flexible Gas Service Tariff Incremental Cost - Common Facility

Exhibit B

Page 3 of 4

Common Facility Example 2/

**Estimated O & M Expenses - Incremental**

	Man Hours	Labor	Other	Total
I <u>Customer Maintenance:</u>				
Leak Surveys (service line)	1	\$20	\$25	\$45
Meter Set Maintenance	8	\$100	\$800	\$960
Valve Maintenance	6	\$120	\$400	\$520
IV <u>Administrative Functions</u>				
Meter Reading	4	\$100	\$500	\$600
Billing	12	\$300	\$500	\$800
Other	24	\$600	\$200	\$800
<b>Total Estimated O &amp; M Expenses</b>		<u>\$1,300</u>	<u>\$2,425</u>	<u>\$3,725</u>

**Estimated O & M Expenses - Common Facilities**

	Man Hours	Labor	Other	Total
I <u>Customer Maintenance:</u>				
Leak Surveys (main)	7	\$140	\$150	\$290
Meter Set Maintenance	0	\$0	\$0	\$0

		COMMON			
	Valve Maintenance	6	\$120	\$400	\$520
II	<u>Pipe Inspection:</u>				
	Exposure Reports	8	\$160	\$50	\$210
	Locate for Others	8	\$160	\$100	\$260
	Third Party Monitoring	8	\$160	\$75	\$235
III	<u>Cathodic Protection:</u>				
	Pipe to Soil Survey	4	\$80	\$100	\$180
	Interference Testing	4	\$80	\$100	\$180
	Atmospheric Inspection	8	\$160	\$50	\$210
	Magnesium Anode Replacement	2	<u>\$40</u>	<u>\$100</u>	<u>\$140</u>
	<b>Total Estimated O &amp; M Expenses-Common Facilities</b>		<b>\$1,100</b>	<b>\$1,125</b>	<b>\$2,225</b>
	<b>Allocation of Common Facilities O &amp; M to New Customer</b>		<b>\$0</b>	<b>\$0</b>	<b><u>\$445</u></b>
	<b>Total O &amp; M Expenses of New Customer</b>				<b><u>\$4,170</u> *</b>

- 2/ Because this hypothetical example assumes service will be provided to the FGS customer through a combination of existing and new facilities, the Company will impute revenues reflecting the customer's share of the cost of maintaining existing facilities as well as the full cost of maintaining the new dedicated facility.

\* Amount of revenue which would be imputed in future base revenue proceeding and used in monthly surveillance reports.

FLEXIBLE GAS SERVICE  
Rate Schedule FGS

OBJECTIVE

The objective of this service classification is to enable the Company the opportunity to compete in markets where natural gas service is not a monopoly service.

This tariff provides the Company with both the opportunity and risk to compete in these markets. It is designed to increase load by working with customers with regard to the specific terms and conditions of service.

This tariff places the Company's shareholders at risk, not the general body of rate payers (see rate-making treatment.)

APPLICABILITY

This service is available at the Company's option to customer(s) meeting the applicability standards, which include (1) The customer must provide the Company with a viable economic energy alternative including verifiable documentation of customer alternative and (2) the Company must demonstrate that this new customer will not cause any additional cost to the Company's other rate classes. The Company is under no obligation to grant service under this tariff. Absent a service agreement with the Company under this rate schedule, customers are under no obligation to accept service under this rate schedule, and may elect to receive service under other applicable tariff rate schedules.

Terms of service under this rate schedule, including pressure, capital repayment, operating conditions and length of service are separately set forth in individual agreements between the Company and the Customers.

FLEXIBLE GAS SERVICE (Continued)

CHARACTER OF SERVICE

Natural gas, or its equivalent, with an average heating value on the order of 1,100 British Thermal Units per cubic foot

MONTHLY RATE

The rate will be developed based on economic market conditions at the time gas service is requested. The rate shall not be set lower than the incremental cost the Company incurs to serve the Customer.

CONFIDENTIALITY

The Company and customer each regard the terms and conditions of the negotiated service agreement as confidential, proprietary business information.

The Company and customer agree to utilize all reasonable and available measures to guard the confidentiality of said information, subject to the requirements of courts and agencies having jurisdiction hereof.

In the event either party is asked to provide the information by such a court or agency, it will promptly inform the other of the request, and will cooperate in defending and maintaining the confidentiality of the information.

This provision shall not prohibit or restrict the FPSC from reviewing the service agreement in the performance of its duties, but the FPSC shall treat this service agreement as a confidential document. Within 30 days after a service agreement has been executed under this rate schedule, the Company shall file the service agreement and related documents with the Commission's Division of Records and Reporting for review by the Commission Staff who shall treat them as confidential documents.

Issued By: Lyle C. Motley, Jr.  
President

Effective:



FLEXIBLE GAS SERVICE (Continued)

RATE-MAKING TREATMENT

The Company will separately account for all incremental capital cost, and such cost will be excluded from rate base. To the extent that the Company enters into flexible gas service agreements with Customers, the Company is at risk for the capital investment, not the general body of rate payers.

As part of the incremental cost analysis, in determining the Customer's rate, the Company will specifically identify the incremental O & M costs. In future base rate cases, the customer operating costs (the annual operating and maintenance cost of 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 cost of service study, of the Company's most recent base rate proceeding.

Revenues, exclusive of the appropriate taxes and assessments, and PGA (for sales service) shall be retained by the Company. In addition, revenue will be excluded from regulated revenues. For the purpose of monthly surveillance reports, only the imputed revenue component of revenue shall be included.

Although the primary purpose of the flexible gas service schedule is to attract new customers, the Company shall not be precluded from using the schedule to keep existing customers from leaving its system. Flexible gas service rates for existing customers, shall be determined on a case-by-case basis. If this rate schedule is applied to an existing customer, in addition to excluding all incremental capital costs from rate base, the existing depreciated cost of the gas service line, metering equipment and any other facilities that were specifically installed to serve that particular customer shall be removed from rate base. Also, a portion of the depreciated costs of common distribution mains reflecting that customer's distance from the nearest point on an interstate Gas Pipeline and the size of pipe required to serve that customer's peak demand for gas shall be removed from rate base.

Issued By: Lyle C. Motley, Jr.  
President

Effective:

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Second Amended Petition for Authority to Implement Proposed Flexible Gas Service Tariff has been furnished by hand-delivery to Vicki Johnson, Division of Legal Services, Florida Public Service Commission, 2540 Shumard Oak Blvd., Gerald L. Gunter Bldg., Rm. 390L, Tallahassee, FL 32399-0850, this 14th day of August, 1996.

  
Joseph A. McGlothlin