

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for approval of standby generator rate schedules RS-SG and CS-SG, by Peoples Gas System. | DOCKET NO. 070260-GU
| ORDER NO. PSC-07-0530-TRF-GU
| ISSUED: June 26, 2007

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman
MATTHEW M. CARTER II
KATRINA J. McMURRIAN
NANCY ARGENZIANO
NATHAN A. SKOP

ORDER APPROVING STANDBY GENERATOR RATE SCHEDULES

BY THE COMMISSION:

Background

On April 13, 2007, Peoples Gas System (Peoples) filed a petition for approval of two new standby generator rate schedules: RS-SG (Residential Standby Generator Service), and CS-SG (Commercial Standby Generator Service). The proposed rate schedules are available to residential and commercial customers who wish to install a natural gas-fired standby generator to provide service when electric service to the customer's premise is interrupted and whose only natural gas appliance is the generator. Customers with a generator and other gas-appliance(s) will continue to take service under the otherwise applicable rate schedule. We have jurisdiction pursuant to Section 366.06, Florida Statutes.

Generator Rate Schedules

In support of its petition, Peoples states that after the 2004 hurricane season, Peoples began receiving numerous requests to provide natural gas service to customers whose only gas-consuming appliance would be the standby electric generators. The generators would be operated only during periods when electric service to the customer's premise is interrupted as a result of a hurricane or other forced outage. Therefore, except during electric outages, the generator does not run and there is no throughput of gas.

Peoples has been providing gas service to generator-only customers under the otherwise applicable residential or commercial rate. Peoples rates include a fixed monthly customer charge to recover its cost of customer billing, and a variable per-therm distribution charge. The distribution charge is designed to recover Peoples' cost of the mains, meter, house regulator and associated operation & maintenance costs. When a natural gas customer installs a year-round appliance such as a waterheater, Peoples can expect to recover its distribution-related costs.

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However, since the generator only operates during outages, Peoples does not recover its costs that are normally recovered through the distribution charge. Generator-only customers also have an incentive to avoid paying the monthly customer charge by disconnecting service, and request re-connection when a hurricane approaches.

Peoples states that at the end of 2003, it had 458 customers whose only natural gas-consuming appliance is the standby generator. Since then, an additional 636 customers have connected to Peoples' system with a standby generator as their only natural gas appliance.

The proposed generator rate schedules are designed to allow Peoples to recover its costs of providing gas service to generator-only customers. Based on the cost of service study filed in its 2002 rate case,¹ Peoples developed a monthly customer charge that recovers Peoples' customer-related and distribution-related costs. The average residential customer uses 20.8 therms per month, resulting in a \$17.82 monthly gas bill (customer and distribution charge). The proposed customer charge for the RS-SG rate schedule is \$17.82, and the distribution charge for usage between 0 and 20.8 therms is \$0. For usage over 20.8 therms, the otherwise applicable residential distribution charge applies. Peoples' used the same rate design to develop the CS-SG charges.

Customers choosing to take service under the proposed generator rate schedules are required to take service for a minimum 12-month period. If the customer installs an additional gas appliance at the premise, the customer will be transferred to the otherwise applicable rate schedule.

Finally, Peoples' proposed tariff includes a provision that requires a customer installing an electric generator to ensure that the installation and operation of the generator complies with the requirements of the electric utility from which the customer receives electric service. Electric utilities generally require generators to be properly installed to avoid energizing the electric lines when the generator is running.

Peoples states that upon the effectiveness of the new rate schedules, Peoples will give its current generator-only customers 30 days notice that the premise will be transferred to the new rate. Customers will have the option to terminate gas service if they choose not to take service under the new rate. Peoples provided, in its petition, an analysis showing the bill impact on existing generator-only customers that will transfer to the new rate schedule. The monthly gas bill for residential generator-only customers will increase between \$0 and \$10, depending on usage. Commercial generator-only customers will see small increases or decreases, depending on usage.

We have reviewed Peoples' proposed generator rate schedules and believe that the proposed charges are reasonable and appropriately recover Peoples' cost of service to provide gas service to generator-only customers. This is an optional service for customers who wish to install generators as the only gas-appliance to provide electric service during periods of electric

¹ Docket No. 020384-GU, In Re: Petition for Rate Increase by Peoples Gas System.

outages. Therefore, we hereby approve Peoples' standby generator rate schedules as set forth herein.

Based on the foregoing, it is


ORDERED by the Florida Public Service Commission that Peoples Gas System's petition for approval of standby generator rate schedules are hereby approved as set forth herein. It is further

ORDERED that the tariff shall be effective June 5, 2007. It is further

ORDERED that if a protest is filed within 21 days of issuance of the Order, the tariff shall remain in effect with any revenues held subject to refund, pending resolution of the protest. It is further

ORDERED that if no timely protest is filed, this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 26th day of June, 2007.



ANN COLE
Commission Clerk

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NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), 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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

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 proposed action files a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 17, 2007.

In the absence of such a petition, this Order shall become final and effective upon the issuance of a Consummating Order.

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.