

**PEOPLES GAS SYSTEM**  
**BEFORE THE**  
**FLORIDA PUBLIC SERVICE COMMISSION**

**Docket No. 080318-GU**

**In re: Petition for rate increase  
by Peoples Gas System**

**Submitted for Filing:  
August 11, 2008**

**DIRECT TESTIMONY  
AND EXHIBIT OF:**

**KANDI M. FLOYD  
On Behalf of Peoples Gas System**

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FPSC-COMMISSION CLERK

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Kandi M. Floyd and my business address is 702 N. Franklin  
3 Street, Tampa, Florida 33602.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Peoples Gas System ("Peoples" or the "Company") as  
6 Manager of State Regulatory, having held that position since 2003.

7 **Q. PLEASE PROVIDE A BRIEF OUTLINE OF YOUR**  
8 **EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.**

9 A. I hold a B.A. in Business Administration from Saint Leo University.  
10 From 1995 to 1997, I worked in a series of positions within the Regulatory  
11 Affairs Department of Tampa Electric Company. In 1998, I joined  
12 Peoples as a Regulatory Coordinator in the Regulatory and Gas Supply  
13 Department. In 2001, I became Peoples' Energy Conservation/Regulatory  
14 Coordinator, and held that position until assuming my current position in  
15 2003.

16 **Q. WHAT ARE YOUR CURRENT RESPONSIBILITIES?**

17 A. As Manager of State Regulatory, I am responsible for coordinating and  
18 overseeing various regulatory activities of Peoples.

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

20 A. The purpose of my testimony is to present the proposed revisions to  
21 Peoples' tariff, and to explain some of the non-rate tariff changes for  
22 which Peoples is seeking the Commission's approval. I will also support  
23 MFR Schedules I-1 through I-3.

24 **Q. HAVE YOU PREPARED OR CAUSED TO BE PREPARED ANY**  
25 **EXHIBITS TO BE INTRODUCED IN THIS PROCEEDING?**

1 A. Yes. I am sponsoring, and prepared or caused to be prepared the  
2 following schedules of the minimum filing requirements (“MFRs”)  
3 (Composite Exhibit \_\_ (PGS-1)) required by Rule 25-7.039, *Florida*  
4 *Administrative Code*:

- 5 • Schedule E-9, which consists of the legislative style versions of  
6 the new and revised tariff sheets for which Peoples is seeking the  
7 Commission’s approval in this proceeding;
- 8 • Schedule I-1, which lists customer service interruptions affecting  
9 the lesser of ten percent or 500 or more of division meters;
- 10 • Schedule I-2, which consists of a summary of notices of  
11 Commission rule violations received since Peoples’ last rate case;  
12 and
- 13 • Schedule I-3, listing all meters with a rated capacity of 500 cfh or  
14 less, and not included in an approved statistical sampling plan, that  
15 have not been tested for accuracy within 120 months as of the test  
16 year.

17 In addition, I am sponsoring Exhibit \_\_ (KMF-1), which is attached to  
18 my testimony, and to which I will refer.

19 **Q. WHAT IS INCLUDED IN SCHEDULE E-9?**

20 A. Schedule E-9 consists of legislative style versions of the new and revised  
21 tariff sheets Peoples has filed with this Commission pursuant to the file-  
22 and-suspend provisions of Section 366.06, *Florida Statutes*. The rate  
23 schedules and riders in Section 7 of the tariff sheets reflect the new rates  
24 developed and supported by Daniel Yardley, the Miscellaneous Service  
25 Charges supported by Richard Wall, and the Gas System Reliability and

1 Carbon Reduction Riders supported by Lewis Binswanger. In addition,  
2 certain of the revised tariff sheets contain revisions that do not directly  
3 affect Peoples' rates. In the legislative versions of the tariff sheets in MFR  
4 Schedule E-9, added language is underlined, and deletions are shown in  
5 type that is stricken through.

6 **Q. PLEASE SUMMARIZE THE TARIFF REVISIONS THAT DO NOT**  
7 **DIRECTLY AFFECT PEOPLES' RATES**

8 A. The changes for which Peoples seeks approval fall generally into four  
9 categories:

- 10 • changes to the tariff Rules and Regulations on Sheet No. 5.501-3  
11 governing gas quality;
- 12 • changes to the definition of "force majeure" in the tariff's Rules  
13 and Regulations section, and in one of the Company's standard  
14 forms;
- 15 • addition of language in Rider ITS (Individual Transportation  
16 Service) dealing with balancing of receipts and deliveries, and the  
17 allocation of pipeline penalties when gas is delivered for a  
18 customer's account at a delivery point on the Gulfstream Natural  
19 Gas System, LLC ("Gulfstream") system; and
- 20 • changes in Sections 5 (Rules and Regulations) and 8 (Standard  
21 Forms) of the tariff necessitated by the changes made in the rate  
22 schedules or the other changes I have previously mentioned.

23 **Q. WHY IS PEOPLES SEEKING CHANGES TO THE GAS QUALITY**  
24 **PROVISIONS IN ITS TARIFF?**

25 A. The natural gas industry is currently expanding its use of foreign liquefied

1 natural gas ("LNG"). LNG is natural gas that when cooled to  
2 approximately -260°F converts to a liquid form. This process reduces the  
3 volume and allows the natural gas to be delivered to numerous places in  
4 the continental United States. There are currently three proposals at the  
5 Federal Energy Regulatory Commission ("FERC") to deliver LNG  
6 supplies into Florida. The characteristics of LNG differ from those of the  
7 domestic natural gas that Peoples and other U.S. local distribution  
8 companies ("LDCs") have delivered to their customers for many years.

9 The interstate pipelines that deliver natural gas to Peoples have  
10 recently addressed the gas quality provisions in their tariffs on file with the  
11 Federal Energy Regulatory Commission ("FERC") at least in part as a  
12 result of these new foreign sources of supply. In addition, it has been  
13 many years since Peoples last addressed the gas quality provisions of its  
14 tariff on file with the Commission.

15 **Q. ARE THERE PROBLEMS WITH THESE NEW SOURCES OF**  
16 **NATURAL GAS SUPPLY?**

17 A. No, but these new supply sources come with interchangeability issues.  
18 Gas quality and interchangeability has drawn more interest as demand for  
19 natural gas increases and the U.S. natural gas industry has been tasked  
20 with making certain that the new foreign supplies are interchangeable with  
21 our historic domestic gas supplies. This is important so that end-use  
22 customers' appliances and equipment will continue to function in a safe  
23 and reliable manner.

24 **Q. PLEASE DESCRIBE THE GAS QUALITY TARIFF REVISIONS**  
25 **PROPOSED BY PEOPLES.**

1 A. Peoples must, of necessity, accept deliveries into its system of gas meeting  
2 the quality specifications of the interstate pipelines that transport and  
3 deliver natural gas to the Company either for the Company's system  
4 supply, or that has been purchased by Peoples' transportation customers.  
5 The revisions to Peoples' tariff provide that when gas supplies are  
6 delivered into Peoples' facilities via an interstate pipeline, such gas must  
7 conform to the FERC standard gas quality specifications of the delivering  
8 interstate pipeline. If gas is delivered to Peoples via means other than an  
9 interstate pipeline, the gas quality tariff revisions list specifications to  
10 which the gas must conform to be delivered into the Peoples system.

11 **Q. HOW DID PEOPLES SELECT THE PARTICULAR LEVELS FOR**  
12 **THE PROPOSED QUALITY SPECIFICATIONS?**

13 A. The quality specifications for the various natural gas components or  
14 constituents are similar, if not identical, to the quality specifications for  
15 those constituents contained in the FERC tariffs of the interstate pipelines  
16 that deliver gas to Peoples and that have addressed their gas quality and  
17 interchangeability standards. Peoples' proposed gas quality modifications  
18 reflect two objectives. The first was to assure safe, reliable and efficient  
19 operation of Peoples' facilities and Peoples' customers' equipment and  
20 appliances. The second objective was to accommodate the need for new  
21 sources of natural gas supplies to serve the Florida market.

22 **A. WHICH OF THE INTERSTATE PIPELINES THAT DELIVER**  
23 **GAS TO PEOPLES HAVE ADDRESSED THEIR GAS QUALITY**  
24 **AND INTERCHANGEABILITY STANDARDS?**

25 A. Over the past several years, both Florida Gas Transmission Company,

1           LLC ("FGT") and Southern Natural Gas Company have addressed these  
2 matters. My Exhibit \_\_\_(KMF-1) provides a comparison of the FERC  
3 tariff provisions with respect to gas constituents for the three interstate  
4 pipelines that currently deliver natural gas to the Peoples system.

5       **Q. WILL THE CHANGES PEOPLES IS PROPOSING LIMIT THE**  
6       **DELIVERY OF SUPPLIES OF GAS THAT WOULD OTHERWISE**  
7       **BE DELIVERED INTO THE STATE OF FLORIDA?**

8       A. No. The changes in Peoples' gas quality tariff provisions are designed  
9 only to prevent the introduction into the Company's system of gas that  
10 could damage system components, cause the Company to incur additional  
11 operation and maintenance expense, or cause damage, operating efficiency  
12 or maintenance difficulties for equipment or appliances operated by  
13 Peoples' customers.

14       **Q. PLEASE EXPLAIN THE CHANGES TO THE DEFINITION OF**  
15       **"FORCE MAJEURE."**

16       A. The term "force majeure," a French term, literally means "greater force."  
17 In the context of contracts, it has come to mean events or circumstances  
18 that a party having performance obligations has no ability to prevent or  
19 control. The term is generally used in contracts in conjunction with  
20 provisions that excuse a party's failure to perform for so long as its  
21 performance is prevented by an event or circumstance of force majeure.

22               For many years, Peoples' tariff definition of this term has remained  
23 unchanged. Some court decisions, however, have either held or suggested  
24 -- in construing the term "force majeure" or otherwise -- that if the specific  
25 events or circumstances enumerated in the definition precede the general

1 statement of the circumstances that constitute force majeure, then the  
2 meaning of the term will be limited so as to include only the events or  
3 circumstances that are specifically enumerated in the definition of the  
4 term. Peoples wants to ensure that the definition of the term includes any  
5 event or circumstance over which, exercising reasonable diligence, the  
6 Company or a customer has no control to prevent or overcome. The  
7 proposed modifications simply reverses the order of the definition so that  
8 the general (“unable to prevent or overcome”) precedes, rather than  
9 follows, the specific named examples of events or circumstances (e.g.,  
10 hurricanes and other acts of God) listed in the definition as constituting  
11 force majeure.

12 **Q. WHERE ARE THE PROPOSED CHANGES TO BE MADE IN THE**  
13 **TARIFF RELATED TO THE TERM “FORCE MAJEURE”?**

14 A. The changes to the definition in Section 5 of the Rules and Regulations are  
15 shown on Sheet No. 5.701 of MFR Schedule E-9. The term is also  
16 defined on Sheet No. 8.103-5 in Peoples’ standard form of Contract for  
17 Interruptible Natural Gas Service, and this definition would be changed in  
18 the same manner as the definition in the Rules and Regulations section of  
19 the tariff.

20 These changes are in the best interests of both Peoples and its  
21 customers, since they will prevent the Company or a customer from  
22 incurring liability in situations where performance is prevented by a cause  
23 over which either the Company or the customer has no control.

24 **Q. PLEASE EXPLAIN THE PROPOSED CHANGES TO THE**  
25 **BALANCING AND PENALTY PROVISIONS OF RIDER ITS AS**



1           **THEY AFFECT DELIVERIES OF GAS TO PEOPLES AT**  
2           **INTERCONNECTIONS WITH GULFSTREAM.**

3    A.    As Bill Cantrell has previously testified, Gulfstream has been operating its  
4           interstate pipeline facilities in Florida only since about 2002. The  
5           provisions in Special Condition 7 of Rider ITS relating to the balancing of  
6           receipts and deliveries of gas into and out of Peoples' system, and the  
7           provisions in Special Condition 12 of the rider relating to allocations and  
8           penalties, were designed at a time when virtually all quantities of gas  
9           (except limited quantities in the Jacksonville area) were delivered to  
10          Peoples or its customers through the FGT interstate pipeline. The  
11          balancing and penalty provisions currently contained in Peoples' tariff are  
12          patterned after similar provisions in FGT's FERC tariff.

13                 The changes proposed in these special conditions would provide  
14                 that, where Peoples is the delivery point operator at a Peoples-Gulfstream  
15                 delivery point, Peoples' shipper is responsible for resolving with Peoples  
16                 imbalances and penalties the shipper causes to be incurred at that delivery  
17                 point, and Peoples will pass through to the shipper any Gulfstream  
18                 imbalances or penalties. If an entity other than Peoples is the delivery  
19                 point operator at a Peoples-Gulfstream delivery point, the Peoples shipper  
20                 will be responsible for resolving any imbalance or penalty it causes to be  
21                 incurred at the point with Gulfstream or the delivery point operator. The  
22                 new "Gulfstream" provisions in new Sections 7A and 12A of Rider ITS  
23                 would make the customer causing the imbalance or penalty responsible for  
24                 resolving the same with Gulfstream. The change will protect Peoples'  
25                 sales customers by requiring payment of Gulfstream imbalance or other

1 penalty charges by the customers responsible for causing the imbalance or  
2 penalty. Absent the proposed changes to the tariff, Peoples' sales  
3 customers would indirectly pay the imbalance or penalty charges through  
4 the purchased gas adjustment. These changes are shown in legislative  
5 style on Sheets Nos. 7.805-6 and 7.805-9 of MFR Schedule E-9. A  
6 definition for Gulfstream has been added on Sheet No. 7.805-1.

7 **Q. PLEASE EXPLAIN THE TARIFF MODIFICATIONS**  
8 **NECESSITATED BY THE CHANGES MADE IN THE NEW AND**  
9 **REVISED RATE SCHEDULES.**

10 A. There are two such changes. The first is in the "availability" provisions  
11 for transportation service in Section 5 of the tariff (Rules and Regulations)  
12 to reflect that, based on the modifications to Rate Schedule RS  
13 recommended and supported by Mr. Yardley, transportation service will  
14 be available to residential customers who use 2,000 or more therms per  
15 year. The change is found on Sheet No. 5.901 in MFR Schedule E-9.

16 The second change is found on Sheet No. 8.105-1 of Schedule E-9,  
17 the back side of the Company's form of gas bill. The change is necessary  
18 to reflect and describe the proposed charges under the Gas System  
19 Reliability Rider and Carbon Reduction Rider supported by Mr.  
20 Binswanger.

21 **Q. WHAT IS SHOWN ON THE "I" SCHEDULES OF THE MFRS**  
22 **YOU ARE SPONSORING?**

23 A. Schedule I-1 requires the listing of interruptions in service affecting the  
24 lesser of 10%, or 500 or more, customer meters in a division. As indicated  
25 on the schedule, there were no interruptions of service meeting these

1 criteria during the 2007 historic base year.

2 Schedule I-2 requires a summary of notices Peoples has received  
3 from the Commission with respect to rule violations during the period  
4 since the Company's last rate case, but not to exceed five years. As shown  
5 on Schedule I-2, between November 18, 2003 and December 31, 2007,  
6 Peoples received 26 such notices, 24 of which were rescinded, and two of  
7 which are pending Staff re-evaluation.

8 Finally, Schedule I-3 requires an explanation with respect to  
9 meters with a rated capacity of 500 cfh or less, and not included in an  
10 approved statistical sampling plan, that have not been tested for accuracy  
11 within 120 months as of the test year.

12 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

13 **A.** Yes, it does.

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Gas Quality Comparisons FERC Tariffs			
Constituent	FGT	Gulfstream	Southern
Minimum HHV (Btu/Scf) - 60 F, 14.73 psia - WD RPs	1,000 (1)	NA	NA
Minimum HHV (Btu/Scf) - 60 F, 14.73 psia - MA RPs	1,000 (1)	1,000 (all receipt points)	850 minimum (all receipt points)
Maximum HHV (Btu/Scf) - 60 F, 14.73 psia - WD RPs	1,110 (2)	NA	NA
Maximum HHV (Btu/Scf) - 60 F, 14.73 psia - MA RPs	1,110 (2)	1,075 (all receipt points)	NA
Wobbe Number (Wo)	1340 ≤ Wo ≤ 1396 (2)	Not listed	Not listed
C1	≥ 85 mole % (2)	Not listed	Not listed
C2	≤ 10 mole % (2)	Not listed	Not listed
C3	≤ 2.75 mole % (2)	Not listed	Not listed
C4+	≤ 1.2 mole % (2)	Not listed	Not listed
C5+	≤ 0.12 mole % (2)	Not listed	Not listed
CO <sub>2</sub> + N <sub>2</sub>	combined total ≤ 3% by volume of carbon dioxide and nitrogen (1)	≤ 3% by volume	NA
O <sub>2</sub>	≤ 0.25% by volume (1)	≤ 0.25% by volume	≤ 1.0 vol %
N <sub>2</sub>		NA	≤ 3 vol %
CO <sub>2</sub>	≤ 1.0% by volume nor any carbon dioxide as a dilutant (2)	≤ 0.25% by volume	≤ 3 vol %
Wo Rate of Change	2% or less per six minutes (2)	Not listed	Not listed
Max Temperature	≤ 120 F (subject to minimum temperature provision) (1)	120 F	120 F
Hydrogen Sulfide	≤ 0.25 grains per 100 cubic feet of gas (1)	≤ 0.25 grains per 100 cubic feet of gas ≤ 10 grains of total sulfur including the sulfur in hydrogen sulfide and mercaptans	≤ 3.0 grains per Mcf
Total Sulfur	≤ 10 grains per 100 cubic feet of gas (1)		≤ 200 grains per Mcf
Water Vapor	≤ 7 pounds per 1,000 Mcf of gas (1)	≤ 7 pounds per 1,000 Mcf of gas	Not listed
Carbonyl Sulfide	NA	≤ 0.02 grains per one hundred cubic feet of Gas	Not listed
Minimum Temperature	The gas shall have a minimum temperature, and a physical means to maintain such minimum temperature; such minimum temperature to be determined on a case-by-case basis, considering the pipeline operating conditions at, and downstream of, the receipt location, such as (i) gas flow and the ability to blend gas streams; (ii) the magnitude of the pressure drop at the point of the interconnection; and (iii) any potential adverse impact to, or unsafe condition on, Transporter's or customers' facilities downstream of the interconnection, such as those occurring from the receipt of excessively cold gas or liquid hydrocarbon fallout. (2)	40 F	40 F
HCDP	Not listed	< 25 F @ 800 psig	Temperature less than or equal to the posted limitation
Other	Not listed	Shell not contain any toxic, hazardous materials or substances or any deleterious materials potentially harmful to persons or to the environment, including but not limited to, polychlorinated biphenyls and substances requiring investigation, remediation or removal under any law, regulation rule or order in effect from time to time.	Not listed
Merchantability	Shall be free from objectionable odors, solid matter, dust, gums, and gum forming constituents, or any other substance which might interfere with the merchantability of the gas stream, or cause interference with proper operation of the lines, meters, regulators or other appliances through which it may flow (1)	Shall be commercially free from dust or other solid or liquid matter which might interfere with its merchantability or cause injury or interference with proper operation of the lines, regulators, meters and other equipment of Gulfstream	Free of objectionable liquids and solids and be commercially free from dust, gums, gum-forming constituents or other liquid or solid matter which might become separated from the gas in the course of transportation through the pipeline or which could cause inaccurate measurement.
Gas delivered from Transporter to Shipper	The gas shall have a total heating value of not less than 1,000 Btu, and be reasonable free of moisture, objectionable liquids and solids so as to be merchantable upon delivery to Shipper, and shall contain not more than 200 grains of total sulfur, nor more than 15 grains of hydrogen sulfide per MCF. (3)	NA	NA

(1) Applicable to gas received at all FGT Receipt Points

(2) Applicable to gas delivered to gas delivered into FGT's Market Area as gas entering the Market Area from the Western Division (CS12)