

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition of City Gas Company of) DOCKET NO. 940287-GU
Florida for Approval of Modifications to its) ORDER NO. PSC-94-0681-FOF-GU
Natural Gas Tariff to Establish Certain Terms) ISSUED: June 6, 1994
and Conditions for Transportation)
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The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK
JULIA L. JOHNSON
DIANE K. KIESLING

ORDER APPROVING TARIFF MODIFICATIONS

BY THE COMMISSION:

BACKGROUND

On April 8, 1992, the Federal Energy Regulatory Commission (FERC) issued its Order No. 636, 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 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 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) at the city gate) as a hindrance to the development of a competitive gas market. FERC intends for its Orders 636, 636-A and 636-B to resolve competitive transportation issues by requiring all interstate pipelines to restructure their service and eliminate their role as gas merchants.

Florida Gas Transmissions's (FGT's) restructuring proceeding before the FERC concluded with the issuance of FERC's Second Order on Compliance Filing on September 19, 1993. FGT submitted its revised FERC 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, and the rights of

FGT's customers. The changes are effective with service provided by FGT on and after November 1, 1993.

Customers of the pipeline, Local Distribution Company's (LDCs) like City Gas Company (City Gas) and to some extent end-use transportation customers of the LDC, now must go into the market place and buy their own gas. The pipeline will no longer sell gas. The pipeline will only transport gas. The LDC's will no longer be 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 now 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 LDCs' systems. The LDC shall 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 shall be required to resolve it with the LDC at the end of the billing period through the LDC's Operational Balancing Agreement.

On March 21, 1994, in response to these major changes in the natural gas industry and in particular the restructuring of FGT, City Gas Company (City Gas) filed its petition for approval of the modifications it has made to its natural gas tariff.

CITY GAS' TARIFF MODIFICATIONS

The revised tariff sheets for which City Gas seeks Commission approval will govern service on City Gas's distribution system. The changes to City Gas's tariff are the result of months of negotiations between City Gas and its transportation customers. As a result of these negotiations, City Gas believes that the requested changes to its tariff are acceptable to its customers.

The major changes to the revised tariff sheets are as follows:

Conditions for Transportation of Customer-Owned Gas - This section 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 such customer also purchases gas from City Gas.

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 City Gas for delivery will be deemed to be Scheduled Quantities. It

provides the times when customers' nomination for service are due to City Gas in order for City Gas to provide its own nominations to the pipeline for its system supply. It provides for City Gas's 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. This section also provides that City Gas may use the customer's gas that is flowing on or into City Gas's system at times when City Gas 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.

Unless transportation customers served under a given rate schedule resolve imbalances by exchanging positive and negative imbalances among themselves under a "book out" procedure,(diminish or eliminate the imbalance by netting one against the other), City Gas will purchase any positive (scheduled quantities exceeding actual takes) monthly imbalance amount from the customer at a price equal to the monthly average spot price for gas delivered to FGT at Tivoli, Texas (Zone 1) as reported in Natural Gas Week, or City Gas's lowest supplier commodity rate applicable to the billing month in which the customer overtendered gas to City Gas.

City Gas will sell any negative (actual takes exceeding scheduled quantities) monthly imbalance amount to the customer at a price equal to the monthly average spot price for gas delivered to FGT at St. Helena parish, Louisiana (Zone 3) as reported in Natural Gas Week, or City Gas's applicable tariffed sales rate.

This method of buying low and selling high in order to resolve imbalances with its transporting customers should result in a net reduction in purchased gas costs that will be flowed through the purchased gas adjustment (PGA) to all system supply customers.

We believe that the revisions to City Gas's 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 City Gas's tariff.

It is therefore,

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

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ORDERED that the tariff modifications will be effective as of the date of the Commission's vote. It is further

ORDERED that at this time City Gas Company 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 City Gas Company 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 6th day of June, 1994.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)
CAS:MCB

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 June 27, 1994.

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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.