

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of
Firm Transportation Supplier
Aggregation (FTA) Service Rider
by Peoples Gas System, Inc.

DOCKET NO. 961236-GU
ORDER NO. PSC-99-0487-FOF-GU
ISSUED: March 8, 1999

The following Commissioners participated in the disposition of this matter:

JOE GARCIA, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JULIA L. JOHNSON
E. LEON JACOBS, JR.

ORDER APPROVING TARIFF MODIFICATION AND EXTENSION

BY THE COMMISSION:

I. Case Background

On October 14, 1996, Peoples Gas System (Peoples) filed a petition to implement a one-year pilot program for a Firm Transportation Supplier Aggregation Service Rider (FTA Rider). The purpose of the FTA Rider was to test a transportation program on a pilot basis to determine the feasibility of providing simplified natural gas transportation service to firm customers. By Order No. PSC-96-1515-FOF-GU, issued December 13, 1996, we granted Peoples' petition. By Order No. PSC-98-0270-FOF-GU, issued February 10, 1998, we approved a one-year extension of the FTA Rider through March 31, 1999. By Order No. PSC-98-0489-FOF-GU, issued April 7, 1998, we approved a modification of the FTA Rider to permit participating Qualified Aggregation Suppliers (Pool Managers) to exceed the thirty-customer limit established in Peoples' original FTA Rider.

In approving the experimental program and modifications, we ordered that this docket remain open pending the issuance of a final order in Docket No. 960725-GU (Unbundling of Natural Gas Services). In the event that a final order had not been issued in Docket No. 960725-GU prior to expiration of the one-year extension of the FTA Rider, Peoples was required to file a petition in this

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docket to end the pilot program, extend the pilot program, or convert the pilot program to a full program.

On December 1, 1998, Peoples filed a petition for approval of certain modifications to and a two-year extension of the FTA Rider through May 31, 2001. On December 21, 1998, Peoples filed an amendment to clarify and correct certain portions of its December 1 petition. On January 28, 1999, Texas-Ohio Gas, d/b/a e prime (e prime) filed comments concerning the proposed modifications.

II. The Petition

Peoples Gas and the suppliers and customers participating in the experimental FTA Rider have had approximately two years of experience in the program. Peoples Gas states that as a result of this experience, it seeks to make the following modifications to its FTA Rider: (1) extend the term of the FTA Rider for two years, through May 31, 2001; (2) increase the program's participation limits; (3) open the program to new Pool Managers and customer participants; and (4) implement the FTA Rider in the Panama City and Ocala areas formerly served by West Florida Natural Gas prior to its purchase by Peoples. The modifications sought by Peoples are discussed in greater detail below.

Customer and Pool Manager Participation

Peoples proposes to expand the program so that aggregated transportation service can be offered to a total of 1,000 customer accounts. This represents a substantial increase from the 170 customers currently participating in the pilot program. Peoples also proposes expanding the classes of customers that may participate in the program to include Small General Service (SGS), Commercial Street Lighting Service (CSLS), Natural Gas Vehicle Sales Service (NGVSS), and Natural Gas Vehicle Transportation Service (NGVTS). Peoples anticipates that it will be able to effectively administer the modified program for 1,000 customer accounts and envisions increasing customer participation beyond the 1,000 customer limit as customer and Pool Manager interest increase.

Under the proposed modifications, Pool Managers would serve customer accounts within a customer pool. A customer pool would be required to contain at least 10 customer accounts which, in the aggregate, consume at least 100,000 therms per year. Pool Managers operating under the existing FTA Rider who manage less than 10

ORDER NO. PSC-99-0487-FOF-GU
DOCKET NO. 961236-GU
PAGE 3

customer accounts would be exempt from this requirement. Pool Managers would be permitted to add accounts to or reduce accounts from the customer pool at any time during the two-year period as long as the customer pool met the minimum customer requirements at the time its initial service commenced.

Under the proposed modifications, Pool Managers administering a customer pool would no longer be required to be a gas supplier or marketer. As long as it meets the modified requirements of the FTA Rider, a Pool Manager could be a gas customer or an energy management company.

In its comments on the proposed modifications, e prime expressed concern that the 1,000 customer limit would be reached very quickly and that the proposed modification does not define a clear procedure for prorating prospective transportation customers back to 1,000. As stated above, Peoples envisions increasing customer participation beyond the 1,000 customer limit as customer and Pool Manager interest increase. According to Peoples, customer requests to participate in the program will be filled on a prorated basis if this occurs. Peoples has indicated that it will allocate customers, based on the number of applications received, to each qualified Pool Manager to place in the program. Each Pool Manager will then select customers for its pool based on the number they were allocated. Current FTA Rider participants will automatically continue in the program. Customers who are not included will be placed on a waiting list. Peoples will notify the Pool Managers when additional customers may be added.

Acceptance of Capacity Release by Pool Managers

The existing FTA Rider requires each Pool Manager to accept, pursuant to a Master Capacity Release Agreement, a temporary release of Peoples' FTS-1 capacity on the Florida Gas Transmission (FGT) interstate pipeline system at the maximum FTS-1 rate under FGT's tariff as approved by the FERC. Under the proposed modifications, the Master Capacity Release Agreement would be modified to require the Pool Manager to accept a temporary release of Peoples' FTS-2 capacity on the FGT system, discounted to the weighted average cost of firm interstate transportation capacity contracted by Peoples. According to Peoples, the weighted average cost of capacity (FTS-1 + FTS-2 + Sonat/South Georgia) would be used because it reflects the complete mix of interstate pipeline capacity for which Peoples has contracted to serve its customers.

In its comments, e prime expressed concern that the price for released capacity will be bid up over Peoples' weighted average cost of capacity. FERC rules require that capacity released at a discount be posted on FGT's electronic bulletin board (EBB) for competitive bidding. Peoples would be releasing its FTS-2 capacity discounted to its weighted cost of capacity, which reflects the complete mix of interstate capacity for which Peoples has contracted to serve its customers. The capacity would be posted for a monthly release with the weighted average cost as the minimum bid. Through the right of first refusal, the Pool Manager is required to match the highest bid for the capacity.

Other Modifications

The existing FTA Rider permits a customer to change its Pool Manager annually at no charge. Under the proposed modifications, customers would be permitted to change Pool Managers as often as once a month. However, if a customer chooses to change Pool Managers more than once per 12-month period, the customer would be charged a \$10 administrative fee per change.

Under the proposed modifications, Peoples "may, in its sole discretion," disqualify a Pool Manager for nonperformance in certain circumstances. e prime is concerned, given the potential for extenuating circumstances leading to nonperformance, that there is no procedure in place to review a disqualification. We find, however, that the disqualification provisions are reasonable and sufficiently clear for Pool Managers to govern their activities. Further, while Peoples has the "sole discretion" to disqualify a Pool Manager, a disqualified Pool Manager may seek Commission review if it believes Peoples has not abided by its tariff or has applied it in a discriminatory manner.

In its petition, Peoples notes that it will not be able to accommodate the increased participation under the modified FTA Rider until its new gas management system is installed and fully operational. Peoples anticipates that its new gas management system will be available by June 1, 1999. Thus, Peoples requests that its existing FTA Rider be permitted to continue in effect until June 1, 1999, when the modified FTA Rider would become effective.

III. Conclusion

We find that Peoples' proposed modifications to its FTA Rider, as discussed above, are reasonable and should be approved. We also find that a two-year extension of the FTA Rider and implementation of the FTA Rider in Peoples' Panama City and Ocala service areas are reasonable. Therefore, we find that Peoples' petition, as amended on December 21, 1998, shall be granted.

We note our staff's position that Peoples' FTA Rider should be expanded even further to allow additional commercial customers the opportunity to purchase their own gas supplies. According to our staff, further expansion would offer lower natural gas costs to commercial customers, increase their ability to control and budget for those costs by direct purchases of natural gas, and enhance economic development with minimal or no adverse rate impacts on other customers. While we note our staff's position, we see the proposed modifications as a positive step toward increasing customers' opportunities to purchase their own gas supplies.

Consistent with our previous orders approving this program, we find that Peoples' FTA Rider is subject to change consistent with any final order issued by this Commission in Docket No. 960725-GU. We note that Peoples agrees with this treatment. We also find that Peoples shall continue to file quarterly reports with the Division of Records and Reporting, indicating, but not limited to, the number of customers and usage per customer, by month, per Pool Manager, until the FTA Rider expires or a final order is issued in Docket No. 960725-GU, whichever occurs first. If a final order is not issued prior to the expiration of the two-year extension, Peoples shall file a petition with this Commission to end the pilot program, extend the pilot program, or convert the pilot program to a full program.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the petition of Peoples Gas System for modification and extension of its Firm Transportation Supplier Aggregation Service Rider, as amended, is granted. It is further

ORDERED that Peoples Gas System's Firm Transportation Supplier Aggregation Service Rider shall remain subject to revision consistent with any final order issued in Docket No. 960725-GU. It is further

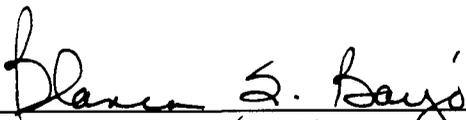
ORDER NO. PSC-99-0487-FOF-GU
DOCKET NO. 961236-GU
PAGE 6

ORDERED that Peoples Gas System shall continue to file, with the Division of Records and Reporting, quarterly progress reports indicating, but not limited to, the number of customers participating in its Firm Transportation Supplier Aggregation Service Rider and the usage per customer, by month, per Pool Manager, until such time as a final order is issued in Docket No. 960725-GU. It is further

ORDERED that if a protest is filed in accordance with the requirements set forth below in the Notice of Further Proceedings or Judicial Review, the tariff shall remain in effect, with any increase in revenues held subject to refund pending resolution of the protest. It is further

ORDERED that this docket shall remain open until the issuance of a final order in Docket No. 960725-GU (Unbundling of Natural Gas Services). If a final order is not issued in Docket No. 960725-GU prior to the expiration of the two-year extension, Peoples shall file a petition to end the pilot program, extend the pilot program, or convert the pilot program to a full program.

By ORDER of the Florida Public Service Commission this 8th day of March, 1999.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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ORDER NO. PSC-99-0487-FOF-GU
DOCKET NO. 961236-GU
PAGE 7

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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 Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on March 29, 1999.

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.

M E M O R A N D U M

MARCH 8, 1999

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RECORDS AND
REPORTING

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (C. KEATING) *RUE WCK*

RE: DOCKET NO. 961236-GU - PETITION FOR APPROVAL OF FIRM
TRANSPORTATION SUPPLIER AGGREGATION (FTA) SERVICE RIDER
BY PEOPLES GAS SYSTEM, INC.

99 0487-FOF

Attached is an ORDER APPROVING TARIFF MODIFICATION AND
EXTENSION to be issued in the above-referenced docket. (Number of
pages in order - 7)

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Attachment

cc: Division of Electric and Gas (Makin, Bulecza-Banks, Lowery)

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3/2