

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for approval of revisions to Tariff Sheets Nos. 68-70, Alternative Fuel Discount Rider, by City Gas Company of Florida.	DOCKET NO. 040975-GU ORDER NO. PSC-04-1101-TRF-GU ISSUED: November 8, 2004
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The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman
J. TERRY DEASON
RUDOLPH "RUDY" BRADLEY
CHARLES M. DAVIDSON

ORDER APPROVING REVISIONS TO CITY GAS COMPANY OF
FLORIDA'S ALTERNATIVE FUEL DISCOUNT RIDER

BY THE COMMISSION:

The implementation of natural gas tariffs that provide discounts for alternate fuels began in the mid-1980's. In 1985, by separate petitions, Gulf Natural Gas Corporation (Docket No. 850204-GU), Peoples Gas System, Inc. (Docket No. 85203-GU), and Central Florida Gas Corporation (Docket No. 85213-GU) sought modifications to their interruptible rate schedules to allow them to adjust rates charged to individual interruptible customers in order to compete with alternate fuels available to those customers. An interruptible customer would complete an application for the reduced rate and submit an affidavit stating the source of the alternate fuel and its cost. This process allowed the companies to gain the flexibility to meet the price of an interruptible customer's existing alternate fuel by lowering the company's energy charge and/or customer charge. We approved this process and authorized the filing of tariffs for the Contract Interruptible Service Class in Order No. 14965, issued September 17, 1985. In the same Order, we also authorized the remaining natural gas utilities to file similar tariffs. As a result, City Gas incorporated a Contract Interruptible Service class into its tariffs effective April 1, 1986. This tariff has undergone modification over the years to update changes requested by the Company.

On August 30, 2004, City Gas Company of Florida, a Division of NUI Utilities, Inc., (City Gas or Company) filed a petition for approval of revisions to Tariff Sheet Nos. 68-70, Alternative Fuel Discount Rider (AFD). By its petition, City Gas seeks approval of tariff revisions to change the Company's AFD Rider. The Company explains that the proposed modifications are designed to clarify and simplify the AFD Rider to promote the use of cleaner burning natural gas. The proposed modifications will also enhance the Company's ability to compete with alternate fuels in its service territory. The AFD provides for a discount off the applicable tariff rates to compete with the customer's alternate fuel price. On September 28, 2004, the Company revised the proposed tariff sheets filed with its August 30, 2004, petition.

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We have jurisdiction over this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes.

The Company's proposed modifications include eliminating the existing required quarterly price affidavits and allowing the company to set and periodically discount the tariff rate based on publicly available monthly indices for alternate fuels. The advantages of using published fuel price indices, when available, over the affidavits, include receiving real time pricing comparisons between natural gas and the alternative fuel, as well as pricing consistency among customers utilizing the same alternate fuel. This will deter customers from gaming the system when submitting affidavits. In rare cases when published prices for alternative fuel are not available, the customer, when requested, will assist the Company in identifying an appropriate methodology for determining the therm BTU equivalency value and price of the alternate fuel to be used. Additionally, when the customer does not have installed operational alternative fuel equipment, the customer would be required to provide the Company cost estimates to install alternate fuel equipment and appurtenances suitable for their applications, along with estimates of incremental costs to operate and maintain the customer's alternate fuel system. This information would be used by the Company in determining the appropriate AFD for the customer.

The Company proposes that upon acceptance of service under the AFD Rider and for a period of one year after discontinuing service, the customer would be obligated to use natural gas exclusively unless directed by or with the prior agreement of the Company. The purpose of the AFD is to provide a discount when market conditions warrant. When the market does not support the need for a discount, the Company charges the tariff rate. The proposed revision is designed to prevent customers from receiving the discount and then temporarily leaving the system when market conditions no longer support the need for a discount. Finally, the Company clarifies its curtailment policy by identifying the types of situations where the customer would be subject to curtailment. These situations include: non delivery by the customer's transportation provider, supply shortages, operational constraints, or *force majeure* conditions.

Based upon our review of the petition, we hereby approve the Company's petition for revisions to Tariff Sheet Nos. 68-70, Alternative Fuel Discount Rider. The revised tariff will not result in any additional margin for the Company, nor will it change any of the General Service rates under which customers would qualify for the AFD. The tariff modifications will enhance the Company's ability to compete with alternate fuels in its service territory, retain firm revenue contributions, and prevent potential customers from gaming the system and gaining an unfair price advantage over other customers. Accordingly, the revised Tariff Sheet Nos. 68-70 shall become effective on October 19, 2004.

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Based on the foregoing, it is

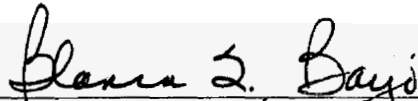
ORDERED by the Florida Public Service Commission that City Gas Company of Florida's Petition for Approval of Revisions to the Alternative Fuel Discount Rider is hereby approved. It is further

ORDERED that the revised Tariff Sheet Nos. 68-70 shall become effective on October 19, 2004. It is further

ORDERED that if a protest is filed within 21 days of the issuance of the order, the tariff shall remain in effect with any increase 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 issuance of a consummating order.

By ORDER of the Florida Public Service Commission this 8th day of November, 2004.



BLANCA S. BAYO, Director
Division of the Commission Clerk
and Administrative Services

(SEAL)

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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 Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 29, 2004.

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.