

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for approval of tariff modifications related to alert days and unauthorized overruns, by Peoples Gas System.

DOCKET NO. 060073-GU  
ORDER NO. PSC-06-0203-TRF-GU  
ISSUED: March 14, 2006

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman  
J. TERRY DEASON  
ISILIO ARRIAGA  
MATTHEW M. CARTER II  
KATRINA J. TEW

ORDER APPROVING TARIFF MODIFICATIONS

BY THE COMMISSION:

BACKGROUND

On January 26, 2006, Peoples Gas System (Peoples) filed a petition to modify the sections of its Natural Gas Tariff relating to customer usage during times of operational difficulty, and a Pool Manager's failure to deliver make-up gas after a force majeure event. Peoples is seeking approval to: modify its tariff to correct inconsistencies in penalty provisions that apply during interruption or curtailment; modify penalty provisions that apply when a customer consumes an amount different from what he delivers to Peoples for its use; and modify penalty provisions that apply to force majeure situations.

With respect to the correction of inconsistencies, Peoples' current tariff contains two different sets of penalty provisions that apply during times of interruption or curtailment. In 2003, Peoples implemented penalty provisions that would apply if a customer continued to use gas during times requiring interruption or curtailment. Peoples inserted the provisions into several rate schedules, but overlooked two schedules. Peoples now seeks to correct this oversight.

Peoples also seeks to modify the penalty provisions that apply during times of operational difficulties. Operational difficulties occur when there is either too much or too little gas in the physical transmission or distribution systems.

Some customers of Peoples buy their gas supply from a marketer or producer and then have the gas transported by an interstate pipeline to Peoples, which then delivers the gas to the customer. These customers are known as transportation customers. Each day, the transportation customers arrange for a specific quantity of gas to be put in the interstate pipeline for delivery to

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Peoples. At the end of the month, the total amount of gas delivered into the pipeline and the total gas consumed by the customer may or may not be equal. The customer is responsible for any costs involved in balancing the gas delivered with the gas consumed. Some transportation customers choose to use the services of a marketer who arranges for the purchase and transportation of natural gas on behalf of the customer. Marketers can qualify to be a Pool Manager under Peoples' tariff. A Pool Manager combines the total gas requirements for all of its customers and then purchases and arranges for delivery of the gas supply to Peoples on behalf of the Pool Manager's customers.

During times of operational difficulties, Peoples may issue a notice (Alert Day Notice) instructing customers about the maximum or minimum amount of gas they must consume. The notice covers a set period of time. Customers who do not adhere to the notice instructions may be subject to penalties. Peoples now seeks to modify the penalty provisions related to Alert Days to discourage transportation customers or Pool Managers from failing to comply with the Alert Day Notice.

Lastly, Peoples seeks to apply a more appropriate penalty when a Pool Manager or individual customer fails to deliver gas to Peoples after a force majeure event. In Peoples' current tariff, a \$15.00 per unit of gas penalty is applied when a customer fails to deliver gas following a force majeure event. As gas prices have risen significantly since the time Peoples included this type of penalty in its tariff, the \$15.00 penalty may not be enough to cover the gas costs that Peoples would incur to purchase the gas needed to balance the system.

We have jurisdiction to address this petition pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes. As explained below, we approve the proposed tariff modifications.

#### DECISION

Peoples is seeking approval for certain tariff modifications designed to: correct inconsistencies in various rate schedules; modify provisions relating to projected and actual gas usage; modify the allocation of revenues resulting from penalty charges resulting from gas usage; and provide a more appropriate penalty when a Pool Manager fails to deliver gas to the Company after a force majeure event.

First, Peoples is seeking approval to modify rate schedule Contract Interruptible Service (CIS) and schedule Off-System Service (OSS) in order to make provisions consistent with provisions of the Company's other interruptible rate schedules. In 2002, Peoples modified the penalty provisions related to rate schedules for Small Interruptible Service (SIS); Interruptible Service (IS); and Interruptible Service - Large Volume (ISLV), but failed to make the same modifications to its CIS and OSS rate schedules. Peoples now seeks to correct this oversight.

Second, Peoples seeks to modify the provisions that apply to the issuance of an Alert Day Notice along with the applicable penalties. Penalties apply when a transportation customer or Pool Manager fails to abide by an Alert Day notice issued by Peoples. The modifications Peoples seeks include:

- To require Peoples to specify in an alert day notice whether the notice applies to its entire transportation system, to a specific area on its transportation system, or to one or more individual customers.
- To set tolerance deviations between the gas scheduled and gas consumed at 6%.
- To establish the method to calculate penalties.
- To establish the method by which penalty revenues will be allocated between Peoples transportation and PGA customers.

The final modification Peoples seeks is modification of its Firm Delivery Agreement to address a Pool Manager's failure to deliver make-up gas after a force majeure event. Peoples seeks to increase the charge to the Pool Manager for any make-up quantities it fails to deliver from \$15.00 per MMBtu to five (5) times the highest price for that day of spot gas delivered to a Gulf Coast pipeline. Peoples has proposed this modification because the current charge of \$15.00 per MMBtu may not allow Peoples to recover the costs it incurred to purchase the gas necessary to balance the system. As gas prices have risen significantly since the time the penalties were first implemented, Peoples needs to ensure that the penalty allows Peoples to recover its costs. Further, the purpose of the penalty is to discourage customers, marketers, or Pool Managers from failing to deliver gas they are obligated to provide.

The other aspect of the modification would clarify that a Pool Manager's obligation to deliver the gas it was prevented from delivering because of a force majeure event does not commence until after the force majeure event has ended. Currently the language in Peoples' tariff states that make-up gas must be provided within 30 days of the force majeure. The tariff is not clear that the 30 day time frame only applies after the force majeure situation has ended. This modification clarifies the customer's obligation to provide make-up gas.

We find Peoples' petition for approval of tariff modifications to correct inconsistencies between various rate schedules, penalties applied for unauthorized gas usage, and penalties imposed for failure to deliver make-up gas after a force majeure event to be reasonable.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Petition for approval of tariff modifications related to alert days and unauthorized overruns by Peoples Gas System is approved. 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 charges 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 14th day of March, 2006.



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

( S E A L )

MCB

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 April 4, 2006.

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.