

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for approval of)	DOCKET NO. 910942-EG
its natural gas vehicle program)	ORDER NO. 25626
of Peoples Gas System, Inc.)	ISSUED: 1/22/92
_____)	

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
 SUSAN F. CLARK
 J. TERRY DEASON
 BETTY EASLEY

NOTICE OF PROPOSED AGENCY ACTION

ORDER APPROVING PEOPLES GAS SYSTEM, INC.'S
NATURAL GAS VEHICLE PROGRAM

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

On September 10, 1991, Peoples Gas System, Inc. (Peoples or utility) filed with this Commission a petition seeking approval of a program for the use of compressed natural gas (CNG) in motor vehicles (NGV) in the state of Florida. Essentially, the program is designed to assist fleet operators or filling station operators in obtaining compressor units so that a natural gas infrastructure is established. The major aspects of the program include:

- 1) Peoples seeks to recover the costs of the compressor units through an NGV surcharge to be applied to the program participants. The utility does not seek to recover the cost of this program through the conservation cost recovery clause. Under Peoples' proposal, NGV participants would not be subject to a conservation factor and non-participants would not be subject to the NGV surcharge.

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- 2) A qualified fleet or filling station operator pays a surcharge per therm of gas purchased for compression. The surcharge is applied toward the cost of the compressor unit. The first true-up to the surcharge will occur after four years with subsequent true-ups annually.
- 3) In addition to the NGV surcharge, program participants will pay the General Service Large Volume - 1 (GSLV-1) tariffed rate per therm. Of the current tariffed rate of .18154 per therm, .13691 will be credited to the NGV program and .04463 will be credited to base rate revenues. Any increase in the tariffed rate occurring after approval of the NGV program will be applied to base rate revenues. After the program terminates, the entire GSLV-1 rate will be credited to base rate revenues.
- 4) The program will be in effect for eight years from the date of approval, however, Peoples will only accept program participants for the first two years.
- 5) At the end of seven years, title to the compressor unit will pass to the fleet operator.

A review of the data submitted by Peoples indicates the only portion of the program which could impact its non-participating customers is the transfer of a portion of rate base revenues to the NGV program. Although the program does not automatically result in increased base rates to the non-participants, the non-participants could be affected if Peoples files a rate case. On the average, Peoples' non-participating customers would contribute \$216,000 of revenues annually for the eight years the NGV program is in effect. If Peoples files for a rate increase, the \$216,000 of revenues transferred to the NGV program would result in lower achieved base rate revenues and in turn, a higher deficiency. However, since Peoples' annual revenue stream is approximately \$206 million, the impact of reducing it by \$216,000 is minimal. If this amount is included in the utility's expenses it would amount to approximately four cents per month per residential customer bill over eight years for a total of about \$1,725,000.

After the program is terminated, the full base rate would be charged to the station operator. The data indicates that over a twenty-year period (which includes the eight years the program is in effect), base rate revenues would be increased by approximately \$5,157,000 from additional therm sales to the station operators. The net affect of the additional therm sales less the contribution

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would result in a benefit of \$3,432,000 (\$5,157,000 - \$1,725,000). The additional \$3,423,000 of revenues could aid in postponing future PGS rate relief petitions and may reduce overall rate increases since any deficiency will be spread over a larger number of billing determinants.

As Peoples indicates, Florida lacks the infrastructure necessary to achieve the wide-spread use of CNG as a vehicular fuel. Without all pieces of a CNG industry in place, both users and suppliers, a participant would be reluctant to initiate any portion of the infrastructure. For example, the lack of refueling stations negates an interest to place into service vehicles that use compressed natural gas. Similarly, to establish the stations without the vehicles would leave much to be desired. Development of a fueling infrastructure will require that refueling stations be geographically dispersed. As proposed by Peoples, refueling station will be located in a manner that satisfies this requirement.

Peoples states it has proposed this program in order to take the first step in aiding the establishment of a CNG fueling infrastructure. The establishment of such an infrastructure should encourage the use of vehicles designed to run off compressed natural gas. The increased use of natural gas in vehicles will benefit the citizens of the State of Florida by reducing emissions of carbon monoxide, nitrous oxides and reactive hydrocarbons and displace petroleum-derived vehicle fuels.

PROGRAM MONITORING PLAN

We find it important that the Commission require Peoples to establish an accounting system for this program that will allow detailed auditing by our Staff.

We are requiring in this order that Peoples institute a system of internal accounting controls for the NGV program that will be adequate to provide Peoples and the Commission with reasonable assurance that the program assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with the Commission's authorization and are recorded properly to permit the preparation of financial exhibits in accordance with generally accepted accounting principles. We are also requiring that Peoples obtain an opinion from a certified public accountant, licensed to do business in the state of Florida, that the system of internal controls meets the objectives of the program.

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Further, in order to ensure that the Commission retains control over the success of this program, we find it essential to reduce the risk to non-participating ratepayers by limiting their exposure to the estimated costs and benefits of this program to those based on the assumptions of 14 compressor stations being placed in service in the first two years. The assumptions under which we approve the program may not hold true if significantly more participants become involved in the program. Therefore, we are requiring that Peoples petition the Commission for approval to increase participation by more than 20 compressor stations.

On the other hand, to cover the situation if quarterly reports indicate that the program is not achieving its objectives after 12 months, the following shall apply:

If substantial progress in implementing this program has not been made by December 31, 1992, Peoples shall, without further action or notice by this Commission, suspend program operations on that date. Peoples may not resume program operations unless granted specific approval by this Commission to do so.

"Substantial progress in implementing this program" means that at least five compressor stations must have been placed and the average therm sales per station in the twelfth month must average at least 3,000 therms per station per month.

"Suspend program operations" means that, after December 31, 1992, (1) Peoples must not accept further participants into the program and (2) cost recovery will be limited to the investment in compressor stations in service on December 31, 1992 and recovery of expenses directly associated with those compressors. Specifically, no further personnel or advertising costs will be recoverable.

In consideration of the foregoing, we find that it is in the public's interest to approve Peoples Gas System, Inc's petition.

It is therefore,

ORDERED by the Florida Public Service Commission that Peoples Gas System, Inc.'s natural gas vehicle program is hereby approved as modified in the body of this Order. It is further

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ORDERED that Peoples Gas System, Inc. shall comply with all of the modifications, restrictions and requirements found in the body of this Order. It is further

ORDERED that this Order shall become final and the docket closed unless an appropriate petition for formal proceeding is received by the Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date indicated in the Notice of Further Proceedings or Judicial Review.

By ORDER of the Florida Public Service Commission, this
22nd day of JANUARY, 1992.



STEVE TRIBBLE, Director
Division of Records and Reporting

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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 action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This

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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 2/12/92.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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 and effective 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 effective date of this order, 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.