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August 16, 1994

IN REPLY REFER TO:

Ansley Watson, Jr.
P. O. Box 1531
Tampa, Florida 33601

VIA FEDERAL EXPRESS

Blanca S. Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
Fletcher Building
101 East Gaines Street
Tallahassee, Florida 32301

940856-64

Re: Petition for approval of Off-System Sales Rate Schedule
(Rate Schedule OSS) by Peoples Gas System, Inc.

Dear Ms. Bayo:

Enclosed for filing on behalf of Peoples Gas System, Inc.,
please find the original and 15 copies of the captioned petition.

*A computer diskette containing the petition and the exhibit
thereto is also enclosed.

Please acknowledge your receipt of the enclosures (together
with the docket number assigned to the petition and tariff filing)
on the duplicate copy of this letter which is also enclosed.

Many thanks for your usual assistance.

Sincerely,

Ansley Watson, Jr.
ANSLEY WATSON, JR.

* NOT ENCLOSED

AWjr/a
Enclosures

cc: Mr. Dan R. Pountney
Mr. F. J. Sivard
Mr. Hugh M. Grey, III

RECEIVED & FILED

Law
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

08375 AUG 17 1994

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for approval of)
Off-System Sales Rate Schedule)
(Rate Schedule OSS) by Peoples)
Gas System, Inc.)

DOCKET NO.

Submitted for filing:
8-17-94

PETITION OF PEOPLES GAS SYSTEM, INC.
FOR APPROVAL OF OFF-SYSTEM SALES RATE SCHEDULE

Peoples Gas System, Inc. ("Peoples" or the "Company"), by its undersigned attorneys, files its petition for approval of its Off-System Sales Rate Schedule (Rate Schedule OSS), to become effective on the date of the Commission's vote disposing of this petition, pursuant to the Commission's tariff approval procedures. In support of its petition, Peoples states:

1. The name and address of the Company is:
Peoples Gas System, Inc.
Post Office Box 2562
Tampa, Florida 33601-2562
2. The name and address of the person authorized to receive notices and communications with respect to this petition is:
Ansley Watson, Jr., Esquire
Macfarlane Ausley Ferguson & McMullen
Post Office Box 1531
Tampa, Florida 33601-1531

BACKGROUND

3. Peoples provides both sales service and transportation service for residential, commercial and interruptible customers through its distribution system, which is located throughout

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FPSC-RECORDS/REPORTING

peninsular Florida. In providing sales service to its customers, Peoples purchases gas from numerous suppliers, transports such gas to delivery points on the interstate pipeline systems of Florida Gas Transmission Company ("FGT") and/or Southern Natural Gas Company and South Georgia Natural Gas Company (collectively "Southern-South Georgia") which are interconnected with Peoples' distribution system, and delivers such gas to its sales customers. Transportation service is provided in the same manner, except that Peoples does not purchase the gas, but receives it for the account of its transportation customers. Further, in the case of transportation service, transportation over the systems of FGT or Southern-South Georgia is accomplished either using Peoples' firm transportation capacity on such pipeline(s) (which Peoples releases to its own customer) or using firm or interruptible transportation capacity held by the customer on such pipeline(s).

4. Historically, the FGT pipeline system has been capacity-constrained between expansions. Because of the relatively few opportunities Peoples has had to increase its capacity on the FGT and Southern-South Georgia systems, it has had to reserve sufficient capacity to provide for system growth. Due to fluctuations in its customers' requirements for gas from day to day and on a seasonal basis, certain of the capacity reserved by Peoples on the interstate pipelines which serve it goes unused. Whether or not the reserved capacity is used by Peoples or its customers, the fixed reservation charges associated with that capacity must nevertheless be paid to the pipelines. Any "unused"

reservation charges are borne by all of Peoples' sales customers through the Purchased Gas Adjustment ("PGA") Clause.

5. From time to time, Peoples has the opportunity to avoid incurring unused reservation charges by making incremental sales of gas to persons which are not connected to Peoples' distribution system, but which are able to receive gas through either FGT or Southern-South Georgia. These incremental sales would improve Peoples' load factor, spread the fixed reservation charges over more units of sales, aid in avoiding FGT Operational Flow Order penalties and Alert Day balancing charges, and thereby reduce the portion of the per-therm PGA factor attributable to unused reservation charges.

6. Peoples presently has no rate schedule which applies to sales made to persons not connected to Peoples distribution system. None of the gas sold in the circumstances described above would move through facilities owned or operated by Peoples. Rather, the gas would be delivered to the customer using Peoples' capacity on either FGT or Southern-South Georgia.

PROPOSED RATE SCHEDULE OSS

7. In order to make the incremental sales described above, Peoples seeks approval for its Rate Schedule OSS (attached hereto as Exhibit A), which would provide for interruptible sales of gas for non-residential use to any person not connected to the Company's distribution system.

8. Sales under Rate Schedule OSS would be made only when

Peoples has unused capacity on FGT or Southern-South Georgia. No minimum quantities would be required to be taken by a customer in order to participate in transactions under the new rate schedule.

9. In making sales under the new rate schedule, Peoples would recover its cost of gas, and all charges for interstate pipeline transportation therefor (including what would otherwise be the unused reservation charges associated with the quantities sold). Therefore, except for any administrative expenses incurred by Peoples in connection with transactions under Rate Schedule OSS, Peoples' sales customers would always realize a net benefit from whatever sales are made under the proposed new rate schedule.

10. In order to offset the administrative expense mentioned above, Peoples proposes -- in lieu of a monthly customer charge -- a charge of \$100 for each transaction under the schedule. This transaction charge -- which would be credited to the PGA -- is designed to ensure that non-participating customers actually receive the benefits intended through the reduction in PGA charges.

11. In setting the non gas energy charge which would apply to the "off-system" or "opportunity" sales contemplated by Rate Schedule OSS, Peoples has followed its Rate Schedules CIS (Contract Interruptible Sales Service) and CTS (Contract Interruptible Transportation Service), which have previously been approved by the Commission, and are currently in effect. The Non Gas Energy Charge would be an amount, determined by Peoples based on competitive conditions existing at the time of each transaction, not less than \$.000 per therm and not more than 90% of the currently applicable

firm rate. "Currently applicable firm rate" would be defined as the non gas energy charge in the firm rate schedule which would apply if the daily sales represented by the transaction under Rate Schedule OSS were annualized. Unlike Rate Schedules CIS and CTS, however, discounts below Peoples Interruptible Service ("IS") rate would not be recoverable from Peoples' non-participating ratepayers. Instead, Peoples has incorporated in Rate Schedule OSS a mechanism for sharing on a 50/50 basis with its sales customers whatever non gas revenues the Company derives from sales under the new rate schedule; that is, Peoples would retain 50% of such revenues above the line, and the customers would receive 50% through a credit to the costs of purchased gas in the PGA docket.

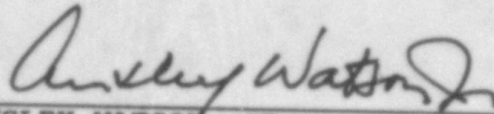
12. The Commission recently approved similar rate schedules filed by City Gas Company of Florida. Although the rate schedule filed by City Gas differed from Peoples' proposed schedule in that the extent to which non gas revenues were shared depended on the level of City Gas's rate of return, the Commission's approval was based on its conclusions that transactions covered by City Gas' LD and LDT rate schedules, to the extent they resulted in the use of otherwise unused pipeline capacity, would result in direct savings to City Gas' customers through the PGA clause, and that the rate schedules would improve system load factor and provide additional revenue which could be used to meet the company's revenue requirements. See: Order No. PSC-94-0680-FOF-GU, Docket No. 940389-GU (June 6, 1994). Peoples submits that these same conclusions are warranted with respect to its proposed rate

Schedule OSS.

13. Peoples recently filed (but subsequently withdrew) a petition for approval of an off-system sales rate schedule patterned after the above-mentioned City Gas rate schedules. See: Docket No. 940676-GU. The only change in Rate Schedule OSS as filed with this petition is the change from a rate-of-return test to determine when non gas revenues from sales under the new rate schedule are to be shared with Peoples ratepayers, to a simple 50/50 sharing of all such revenues.

WHEREFORE, Peoples requests that the Commission approve its proposed Rate Schedule OSS (see Exhibit A), to become effective on the date of the Commission's vote disposing of this petition.

Respectfully submitted,



ANSLEY WATSON, JR.
MACFARLANE AUSLEY FERGUSON & McMULLEN
Post Office Box 1531
Tampa, Florida 33601
(813) 273-4200
Attorneys for Peoples Gas System, Inc.

OFF-SYSTEM SALES SERVICE
Rate Schedule OSS**Availability:**

Throughout the service areas of Company, and of any interstate or intrastate natural gas pipeline serving the Company (collectively, the "Pipelines").

Applicability:

Interruptible Gas delivered by Company through the facilities of a Pipeline, using Company's transportation capacity rights on such Pipeline, to any person not connected to Company's distribution system.

Monthly Rate:

Customer Charge:

None

Transaction Charge:

\$100.00 per transaction

Energy Charge:

Non Gas

For all Scheduled Quantities (as such term is defined in Special Condition 5 below), an amount not less than \$.000 per therm nor greater than 90 percent of the currently applicable firm rate, which Non Gas Energy Charge shall be established by agreement between Company and Customer prior to each transaction pursuant to this rate schedule.

The "currently applicable firm rate", as used herein, means the non gas energy charge prescribed in the firm rate schedule which would apply if the daily sales represented by a transaction under this rate schedule were annualized.

The Non Gas Energy Charge for service pursuant to this rate schedule shall be determined by Company based upon Company's evaluation of competitive conditions. Such conditions may include, but are not necessarily limited to: the cost of gas which is available to serve Customer; the delivered price and availability of Customer's designated alternate fuel; and the nature of Customer's operations (such as load factor, fuel efficiency, alternate fuel capacity, etc.). Company may from time to time increase or reduce the Non Gas Energy Charge as it deems necessary or appropriate to meet competition or remain competitive, but shall have no obligation to do so; provided, however, that the Non Gas Energy Charge shall at all times remain within the limits set forth above.

The bill for therms billed at the above rates shall be increased either (a) by the cost per therm of the Gas delivered to Customer pursuant to this rate schedule, including all costs incurred by Company for (or in connection with) Pipeline transportation, if such Gas is delivered to Customer pursuant to a "buy-sell agreement" between Company and Customer and, if so increased, Company's Purchased Gas Adjustment Clause shall not apply to purchases of Gas made by Customer pursuant to this rate schedule, or (b) in accordance with Company's Purchased Gas Adjustment Clause. Company's Energy Conservation Cost Recovery Clause and Competitive Rate Adjustment Clause shall not apply to purchases of Gas made by Customer pursuant to this rate schedule.

OFF-SYSTEM SALES SERVICE (continued)

Special Conditions:

1. Neither Customer nor Company shall have any obligation to the other for any specific minimum quantity of Gas or pipeline capacity on any day or during any month, and deliveries pursuant to this rate schedule shall be subject to curtailment or interruption at any time in the sole discretion of Company.
2. Amounts payable to Company pursuant to this rate schedule shall be subject to the operation of the Company's Tax and Fee Adjustment Clause set forth on Sheet No. 7.102.
3. Disposition of Net Revenues and Transaction Charges. For purposes of this paragraph 3, "net revenues" shall mean the total Non Gas Energy Charges received by Company for service pursuant to this rate schedule. Fifty percent (50%) of all net revenues shall be retained by Company above the line as regulated revenues, and the remaining fifty percent (50%) of such net revenues (and all Transaction Charges) shall be used to reduce Company's cost of Gas recovered through the Purchased Gas Adjustment Clause.
4. Interruption and curtailment. Company may notify Customer at any time to reduce or cease using Gas. Company will endeavor to give as much notice as possible to Customer.
Any gas taken in excess of the volume allocated to Customer in an interruption or curtailment order shall be considered to be unauthorized overrun gas. Company may bill and Customer shall pay for such unauthorized overrun gas, in addition to other charges payable hereunder, at the greater of \$1.50 per therm or the rate per therm imposed on Company by the delivering Pipeline.
5. For each day on which Customer desires to receive service pursuant to this rate schedule, Customer shall provide a nomination to Company specifying the quantity of Gas it desires to receive at the specified point of delivery pursuant to this Agreement. Following receipt of a timely and complete nomination from Customer, Company will confirm the quantities of Gas to be made available for delivery to Customer at such point of delivery. Quantities confirmed by PGS for delivery shall be "Scheduled Quantities".
6. The point of delivery for all Gas sold pursuant to this rate schedule shall be the delivery point of the delivering Pipeline specified by Customer.
7. Except as modified by the provisions set forth above, service under this rate schedule shall be subject to the Rules and Regulations set forth in this tariff.

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August 17, 1994

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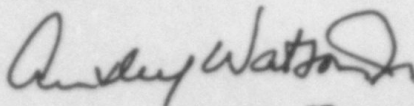
Re: Petition for approval of Off-System Sales Rate Schedule
(Rate Schedule OSS) by Peoples Gas System, Inc.

Dear Ms. Bayo:

Enclosed find copy of my transmittal letter of yesterday. As your office pointed out by phone today, the diskette containing the captioned petition (and the exhibit thereto) was inadvertently not enclosed with the filing. It is now enclosed.

Many thanks for your assistance.

Sincerely,



ANSLEY WATSON, JR.

AWjr/a
Enclosure