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M E M O R A N D U M

January 8, 1998

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF ELECTRIC & GAS (MAKIN, BULECZA-BANKS, LOWERY) *DM 1988*
 DIVISION OF LEGAL SERVICES (C. KEATING) *RUE For WCK* *PLT*

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

AGENDA: 01/20/98 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: 02/01/98

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\961236GU.RCM

CASE BACKGROUND

By Order No. PSC-96-1515-FOF-GU, issued in Docket No. 961236-GU, on December 21, 1996, the Commission approved Peoples Gas System, Inc's. (Peoples) petition for a one-year optional experimental Firm Transportation Aggregation Rider, FTA. The Commission's approval was based upon the petition of Peoples Gas System, Inc., filed October 14, 1996. Peoples Gas System, Inc. was merged into Tampa Electric Company effective June 16, 1997.

In approving the experimental program, the Commission ordered that this docket remain open pending the issuance of a final order in Docket No. 960725-GU (Unbundling of Natural Gas Services) and that, if a final order had not been issued in that docket prior to the expiration of the one-year experimental tariff rider, Peoples was required to file a petition in the instant docket to end, extend, or convert the pilot program to a full program.

DOCUMENT NUMBER-DATE
00385 JAN-88
APPROVED FOR FILING

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DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve Peoples's petition for a one-year extension of the experimental Firm Transportation Supplier Aggregation Service Rider (FTA) through March 31, 1999?

RECOMMENDATION: Yes. The Commission should approve Peoples's petition for a one year-year extension of the experimental Firm Transportation Supplier Aggregation Service Rider (FTA) effective the date of the Commission vote. However, the FTA rider is subject to change, consistent with any final order issued by the Commission in Docket No. 960725-GU, Unbundling Natural Gas Services.

Peoples should be required to 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 marketer/supplier, until the Commission issues its final order in Docket No. 960725-GU. If a final order is not issued prior to the expiration of the one-year experiment extension, Peoples must file a petition with the Commission to end the pilot, extend the program, or convert the pilot program to a full program.

STAFF ANALYSIS: On December 1, 1997, Peoples filed its petition for approval of a one-year extension for the Firm Transportation Supplier Aggregation Service Rider (FTA) pilot program through March 31, 1999.

Peoples believes the requested extension of the pilot program is necessary to allow Peoples to achieve its original objective, to determine if such a program can provide benefits to participating customers without detriment to the Company's other sales service and transportation service customers. Because many customers have participated in the program for only eight months (which has not included a winter demand period), Peoples states that it is currently unable to fully assess the effects of Rider FTA.

In addition, Peoples believes that the customers participating in the Rider FTA pilot program may desire that certain modifications be made, and Peoples may desire to incorporate their ideas where appropriate. The extension may also allow Peoples to quantify costs associated with the administration of the program, and possibly develop modifications designed to eliminate any detrimental effects on the Company's operations and/or non-participating customers.

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Peoples will petition the Commission, prior to the expiration of the extended term, for authority to make any changes to the pilot program. In order to assure that final action may be taken on the petition prior to the requested termination date of the extended program of March 31, 1999, Peoples will file its petition on or before December 1, 1998.

As this is a tariff filing, the Commission can only approve, deny, or suspend. Given those options, staff recommends approval. However, staff has concerns with this tariff and discusses them below.

Staff believes that Peoples' Aggregation Program has resulted in lower costs to the Pilot Program customers and should be expanded to include more customers. Staff does not recommend denying Peoples' petition because that could lead to termination of the Pilot Program. We believe that more customers should have the opportunity to purchase their own gas supplies. Staff has received calls from pilot program customers and participating marketers, who expressed their satisfaction with the program, and their desire to have the program expanded.

Under Peoples' current petition, no additional customers would be allowed to participate in the Pilot program. Peoples has not indicated to staff that they have experienced any operational or administrative problems from the implementation of its Pilot Program. No factual information has been filed that would show the program to be ineffective or burdensome.

Peoples has allowed customers who consume large amounts of natural gas (500,000 therms annually) to purchase their own gas supplies since the late 1980's. These customers have experienced considerable savings in their gas costs, without detriment to Peoples sales service customers. We believe that the opportunity to save money should be expanded to allow additional commercial customers the opportunity to experience cost savings under the Aggregation Program. Lower natural gas costs to commercial customers, their ability to control and budget for those costs by direct purchases of natural gas, with minimal or no adverse rate impacts for other customers, will enhance economic development.

Notwithstanding our concerns, Staff recommends that Peoples's request for a one-year extension of the Firm Transportation Supplier Aggregation Service Rider (FTA) be approved, with the condition that the FTA rider is subject to change consistent with any final order issued by the Commission in Docket No. 960725-GU, Unbundling of Natural Gas Services.

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Staff also recommends that Peoples continue to file, on a quarterly basis, with the Division of Records and Reporting, a progress report indicating, but not limited to, the number of customers and usage per customer by month per marketer/supplier until the Commission issues its final order in Docket No. 960725-GU. In the event Peoples petitions the Commission to end, extend, or convert the pilot program to a full program before the Commission issues its final order in Docket No. 960725-GU, reporting requirements or changes to reporting requirements will be addressed in that order.

ISSUE 2: Should this Docket be closed?

RECOMMENDATION: No. The docket should remain open until the Commission issues its final order in Docket No. 960725-GU, Unbundling Natural Gas Services. If a final order is not issued prior to the expiration of the one-year extension to the pilot program, Peoples must file a petition in this docket to end, extend, or convert the pilot program to a full program.

STAFF ANALYSIS: The docket should remain open until the Commission issues its final order in Docket No. 960725-GU, Unbundling Natural Gas Services. If a final order is not issued prior to the expiration of the one-year extension to the pilot program, Peoples must file a petition in this docket to end, extend, or convert the pilot program to a full program.