

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

**DATE:** FEBRUARY 4, 1999

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

**FROM:** DIVISION OF ELECTRIC AND GAS (MAKIN, BULECZA-BANKS, LOWERY) *WCK RVE*  
DIVISION OF LEGAL SERVICES (KEATING) *WCK RVE*

**RE:** DOCKET NO. 961236-GU - PETITION FOR APPROVAL OF FIRM TRANSPORTATION SUPPLIER AGGREGATION (FTA) SERVICE RIDER BY PEOPLES GAS SYSTEM, INC.

**AGENDA:** 02/16/99 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

**CRITICAL DATES:** 60-DAY SUSPENSION DATE: 02/19/99

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\EAG\WP\961236.RCM

CASE BACKGROUND

On October 14, 1996, Peoples Gas System (Peoples) filed a petition to implement a one-year pilot program for a Firm Transportation Supplier Aggregation Service Rider (FTA Rider). The purpose of the FTA Rider was to test a transportation program on a pilot basis to determine the feasibility of providing simplified transportation service to firm customers. By Order No. PSC-96-1515-FOF-GU, issued December 13, 1996, the Commission granted Peoples' petition. By Order No. PSC-98-0270-FOF-GU issued February 10, 1998, the Commission approved a one-year extension of the FTA Rider through March 31, 1999. By Order No. PSC-98-0489-FOF-GU, issued April 7, 1998, the Commission approved a modification of the FTA rider to permit participating Qualified Aggregation Suppliers (Pool Managers) to exceed the thirty-customer limit established in Peoples' original FTA Rider.

DOCUMENT NUMBER-DATE

~~961236~~ FEB-4 99

FPSC-RECORDS/REPORTING

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In approving the experimental program and modifications, 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). If a final order had not been issued in that docket prior to the expiration of the one-year extension of the 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.

**ISSUE 1:** Should the Commission approve Peoples's petition for modifications to and a two-year extension of the Firm Transportation Aggregation Rider (FTA Rider) through May 31, 2001?

**RECOMMENDATION:** Yes. The Commission should approve Peoples's petition for modifications to and a two-year extension of the FTA Rider effective June 1, 1999. However, 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.

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 two-year 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, 1998, Peoples filed its petition for approval of certain modifications to and a two-year extension of the FTA Rider pilot program through May 31, 2001. On December 21, 1998, Peoples filed an amendment to clarify and correct certain portions of its December 1, 1998 petition. On January 28, 1999, Texas Ohio Gas, d/b/a e'prime (e'prime) filed comments concerning the proposed modifications.

Peoples Gas, suppliers, and customers participating in the experimental FTA Rider have had almost two years of experience in the program. As a result of this experience, Peoples Gas desires to: (1) extend the term of the experimental program for two years, through May 31, 2001; (2) increase the program participation limits; (3) open the program to new Pool Managers and customer participants; and (4) implement the experimental program in the Panama City and

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Ocala areas formerly served by West Florida Natural Gas prior to its purchase by Peoples.

Peoples proposes to expand the program so that aggregated transportation service can be offered to a total of 1,000 customer accounts. This is a substantial increase from the 170 customers currently participating in the pilot program. Peoples also proposes expanding the classes of customers that may participate in the program to include Small General Service (SGS), Commercial Street Lighting Service (CSLS), Natural Gas Vehicle Sales Service (NGVSS) and Natural Gas Vehicle Transportation Service (NGVTS).

Peoples anticipates that it will be able to effectively administer the modified program for 1,000 customer accounts and envisions increasing customer participation beyond the 1,000 customer limit as customer and Pool Manager interest increases.

Pool Managers, under the modified program, would serve customer accounts within a customer pool. A customer pool must contain at least 10 customer accounts which, in the aggregate, consume at least 100,000 therms per year. Existing Pool Managers with less than 10 customer accounts are exempt from this requirement. Pool Managers would be permitted to add accounts to or reduce accounts from the customer pool at any time during the two-year period as long as the customer pool met the minimum requirements at the time its initial service commenced.

Staff is concerned with this modification to the pilot program. We believe that for new customer pools, as few as two customer accounts, which in the aggregate consume at least 100,000 therms per year, would be more appropriate. This would further enhance the program by allowing more customers the opportunity to purchase their own gas supplies. However, we believe that, while the modifications are not as expansive as we would hope, they are a step in the right direction.

In its comments on the proposed modification, e'prime expressed concern that the 1,000 customer limit would be reached very quickly and that the proposed modification does not define a clear procedure for prorating prospective transport customers back to 1,000. As stated in its petition, Peoples envisions increasing customer participation beyond the 1,000 customer limit as customer and Pool Manager interest increases. However, if this occurs, the requests will be filled on a prorated basis. Peoples will allocate a number of customers for each qualified Pool Manager to place in the program. This will be based on the number of applications received. The Pool Manager will choose which customer's they want

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to begin in the program based on the number they were allocated. Current FTA participants will automatically continue in the program. The customers who are not included will be placed on a waiting list. Peoples will notify the Pool Managers when additional customer may be added.

Under the modified program, the Pool Manager administering a customer pool would no longer have to be a gas supplier or marketer. As long as it meets the modified requirements of Rider FTA, a Pool Manager could be a gas customer or an energy management company.

Under the current pilot program, a customer may change its Pool Manager annually at no charge. The modified program would permit changes of a Pool Manager as often as once a month. However, if a customer chooses to change Pool Managers more than once per 12-month period, the customer would be charged a \$10 administrative fee per change.

Under the initial program, a Pool Manager was required to accept, pursuant to a Master Capacity Release Agreement, a temporary release of Peoples' FTS-1 capacity on the Florida Gas Transmission (FGT) interstate pipeline system at the maximum FTS-1 rate under FGT's tariff as approved by the FERC. Under the modified pilot program, the Master Capacity Release Agreement has been modified to require the Pool Manager to accept a temporary release of Peoples' FTS-2 capacity on the FGT system, discounted to the weighted average cost of firm interstate transportation capacity contracted by Peoples. The weighted average cost of capacity (FTS-1 + FTS-2 + Sonat/South Georgia) is used because it reflects the complete mix of interstate pipeline capacity Peoples has contracted for to serve its customers.

In its comments, e'prime expressed concern that the price for released capacity will be bid up over Peoples weighted average cost of capacity. FERC rules require that capacity released at a discount be posted on FGT's electronic bulletin board (EBB) for competitive bidding. Peoples is releasing its FTS-2 capacity discounted to its weighted cost of capacity, which reflects the complete mix of interstate capacity that Peoples has contracted to serve its customers. The capacity will be posted for a monthly release with the weighted average cost as the minimum bid. Through the right of first refusal, the Pool Manager is required to match the highest bid for the capacity.

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Under the proposed modifications, Peoples "may, in its sole discretion," disqualify a Pool Manager for nonperformance in certain circumstances. e'prime is concerned, given the potential for extenuating circumstances leading to nonperformance, that there is no procedure in place to review a disqualification. Staff believes that the disqualification provisions are reasonable and sufficiently clear for Pool Managers to govern their activities. Further, while Peoples has the "sole discretion" to disqualify a Pool Manager, a disqualified Pool Manager may seek Commission review if it believes Peoples has not abided by its tariff or has applied it in a discriminatory manner.

Peoples states in its petition, that it is not able to accommodate the increased participation in its pilot program that would result from the proposed modifications in the FTA Rider. Until such time as Peoples' new gas management system is installed and fully operational, Peoples requests that the existing pilot program and current FTA Rider be permitted to continue in effect until the fully modified experimental program becomes effective June 1, 1999. Peoples anticipates that its new gas management system will be available by June 1, 1999.

In Staff's recommendation of January 8, 1998, concerning the one-year extension of Rider FTA, we expressed our concerns that more customers should have the opportunity to purchase their own gas supplies. While we believe Peoples' proposed modifications to the pilot program address some of our concerns, we still believe that Rider FTA should be expanded to allow additional commercial customers the opportunity to experience cost savings. Further expansion would offer lower natural gas costs to commercial customers, increase their ability to control and budget for those costs by direct purchases of natural gas, and enhance economic development with minimal or no adverse rate impacts on other customers.

As this is a tariff filing, the Commission can only approve, deny, or suspend. Given those options, staff recommends the Commission approve Peoples's request to extend the term of the experimental program for two years, through May 31, 2001; increase the program participation limits; open the program to new Pool Managers and customer participants; and implement the experimental program in Panama City and Ocala. However, Staff recommends that the FTA Rider remain subject to change consistent with any final order issued by the Commission in Docket No. 960725-GU.

Staff also recommends that Peoples continue to file quarterly reports with the Division of Records and Reporting, indicating, but

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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 two-year extension, Peoples should be required to file a petition with the Commission to end the pilot, extend the program, or convert the pilot program to a full program.

**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 two-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 two-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.