



Public Service Commission

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RECORDS AND REPORTING

DATE: November 4, 1999

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

FROM: DIVISION OF ELECTRIC AND GAS (S. BROWN, W. MAKIN, C. BULECZA-BANKS) *3BB*
DIVISION OF LEGAL SERVICES (B. ELIAS) *RVE* *JDJ*

RE: DOCKET NO. 991564-GU - PETITION BY CITY GAS COMPANY OF FLORIDA TO AMEND SMALL COMMERCIAL TRANSPORTATION SERVICE RATE SCHEDULE.

AGENDA: 11/16/99 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60 DAY SUSPENSION DATE: 12/12/99

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\EAG\WP\991564.RCM

CASE BACKGROUND

On August 21, 1997, City Gas Company of Florida (City Gas) filed a petition for approval to implement an experimental Small Commercial Transportation Service Rate Schedule (SCTS). Under the SCTS rate schedule, small commercial customers meeting a threshold level of 120,000 therms annually, would be granted the opportunity to transport gas on City Gas' system and purchase their natural gas supplies directly from third party suppliers. By Order No. PSC-97-1536-FOR-GU, issued December 8, 1997, the Commission approved City Gas' petition for the experimental program.

On December 29, 1998, City Gas petitioned to amend the experimental Small Commercial Transportation Service and make the SCTS rate schedule permanent. City Gas' petition was approved by Commission Order No. PSC-99-0484-FOR-GU, dated March 8, 1999.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

On October 12, 1999, City Gas filed its petition to amend its SCTS rate schedule. The purpose of this petition is to remove the limitations placed on transportation service and allow all non-residential customers the opportunity to transport gas on City Gas' system.

DISCUSSION OF ISSUES

ISSUE 1: Should the commission approve City Gas' petition to amend its SCTS rate schedule?

RECOMMENDATION: Yes. The Commission should approve City Gas' petition to amend its SCTS rate schedule. (BROWN, MAKIN, BULECZA-BANKS)

STAFF ANALYSIS: The SCTS rate schedule was originally intended to allow a controlled number of City Gas' small commercial customers to purchase gas directly from third party suppliers in a manner that would not cause remaining sales customers to incur a greater share of capacity costs. To accomplish this purpose, service under the SCTS rate schedule was limited to: 1) customers with multiple meters at a single location with annual aggregate usage of 120,000 therms; 2) customers qualifying for City Gas' Load Profile Enhancement Rider; or, 3) commercial customers who otherwise would not qualify, whose third party supplier adds incremental load to City Gas' system equivalent to the customer's annual consumption.

Under the proposed amendment, all commercial customers will qualify for transportation service in the SCTS rate schedule. City Gas' amendment will remove all threshold requirements as well as the other limitations addressed above. The marketer will no longer be required to add incremental SCTS load to NUI/City Gas' system, or to add load in a class other than SCTS and accept an assignment of interstate pipeline capacity for the equivalent volume.

The company is also eliminating the requirement of mandatory capacity assignment. By doing this, third party suppliers will now be allowed to purchase capacity in the secondary market. The only requirement will be that the secondary market capacity must be comparable firm interstate pipeline capacity for placement into City Gas' distribution system.

With respect to the potential for stranded capacity costs, City Gas believes it should be able to mitigate the potential effect of increased capacity costs to its sales customers because

a large portion of its holdings with Florida Gas Transmission are expiring and must be renewed. Since the effects of these capacity decisions are currently unknown, as a matter of caution, City Gas has proposed a Transition Charge in the SCTS rate schedule. In this petition, City Gas has proposed to set the Transition Charge at zero. However, should City Gas find it necessary to mitigate the effects of cost shifts between, or among the customer classes, and/or provide recovery of stranded capacity costs once the capacity decisions become effective, City Gas would petition the Commission for approval of a Transition Charge greater than zero.

As proposed by City Gas, adjustments to the Transition Charge will be made at the Commission's Purchased Gas Adjustment (PGA) proceeding or between PGA proceedings, as necessary, to mitigate the effects of cost shifts. City Gas has petitioned to preserve its right to modify the tariff to impose capacity assignment and/or any other mechanism allowed by the Commission to mitigate the effects of cost shifts.

City Gas' petition will allow all non-residential customers the opportunity to purchase their own gas supply from third party marketers. Under this petition, customers will be given the opportunity to buy their gas supply from entities other than City Gas. Customers will be entitled to evaluate offers from competing third party marketers and determine which offer would best suite their needs. By this petition, City Gas is taking its transportation service offerings to a level staff believes is necessary to further unbundling in Florida.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes, if Issue 1 is approved, this tariff should become effective on November 16, 1999. If a protest is filed within 21 days of the issuance of the order, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.
(ELIAS)

STAFF ANALYSIS: At the conclusion of the protest period, if no protest is filed, this docket should be closed upon the issuance of a consummating order.