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November 19, 1999

IN REPLY REFER TO:

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VIA FEDERAL EXPRESS

Blanca S. Bayo, Director  
Division of Records & Reporting  
Florida Public Service Commission  
Capital Circle Office Center  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

**Re: Docket No. 990935-GU -- Petition for approval of experimental Rider FTA-2 (Firm Transportation Aggregation Service 2), and modifications to imbalance cashout provisions of Rider FTA program, by Peoples Gas System**

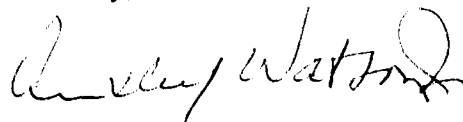
Dear Ms. Bayo:

Enclosed for filing in the above docket, please find the original and 15 copies of the Direct Testimony and Exhibits of J. Brent Caldwell on behalf of Peoples Gas System.

Please acknowledge your receipt of the enclosures and the date of their filing on the duplicate copy of this letter enclosed for that purpose, and return the same to me in the preaddressed envelope also enclosed herewith.

Thank you for your usual assistance.

Sincerely,



ANSLEY WATSON, JR.

- AFA \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG Watson
- LEG 1
- MAS 37 mg AWjr/a
- OPC \_\_\_\_\_ Enclosures
- PAI \_\_\_\_\_
- SEC 1
- WAW \_\_\_\_\_ ec: William C. Keating, IV, Esquire
- OTH \_\_\_\_\_

DOCUMENT NUMBER-DATE

~~11102~~ NOV 22 99

FPSC-RECORDS REPORTING

RECEIVED  
FLORIDA PUBLIC  
SERVICE COMMISSION

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

99 NOV 22 AM 10:42

In Re: Petition for approval of experimental )  
Rider FTA-2 (Firm Transportation )  
Aggregation Service 2), and modifications )  
to imbalance cashout provisions of Rider )  
FTA program, by Peoples Gas System. )  
\_\_\_\_\_)

MAIL ROOM

Docket No. 990935-GU

Submitted for Filing:  
11-22-99

**DIRECT TESTIMONY AND EXHIBITS**

of

**J. BRENT CALDWELL**

on behalf of

**PEOPLES GAS SYSTEM**

DOCUMENT NUMBER - DATE

14402 NOV 22 99

FPSC-RECORDS/REPORTING

1 Q. Please state your name, business address, by whom you are  
2 employed, and in what capacity.

3  
4 A. My name is J. Brent Caldwell. My business address is  
5 Peoples Gas System, 702 North Franklin Street, P.O. Box  
6 2562, Tampa, Florida 33601-2562. I am employed by Peoples  
7 Gas System ("Peoples") as Manager of Regulatory and Gas  
8 Supply.

9  
10 Q. Please summarize your educational and employment  
11 background.

12  
13 A. I have a Bachelor of Electrical Engineering degree from the  
14 Georgia Institute of Technology and a Masters of Science in  
15 Electrical Engineering from the University of South  
16 Florida. From 1985 to 1994, I was employed in a series of  
17 progressively more responsible positions in the electrical  
18 engineering and system analysis fields. In 1994, I joined  
19 Tampa Electric Company as a Rate Analyst in the Regulatory  
20 Affairs Department. As a Rate Analyst, I performed  
21 analyses associated with rate design, the Fuel Adjustment  
22 Clause, the Environmental Cost Recovery Clause and other  
23 regulatory research and position development. I joined  
24 Peoples in 1997 as a member of the Gas Supply and  
25 Regulatory Planning Department. As Manager of Regulatory

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and Gas Supply, I am primarily responsible for coordinating and overseeing all state regulatory activity for Peoples, including regulatory approval of the Company's efforts to make transportation service available to more of its non-residential customers.

**Q.** Do you have any exhibits to which you will refer in your testimony?

**A.** Yes. I have three exhibits to which I will refer. The first, Exhibit \_\_\_(JBC-1) is Peoples' Rider FTA-2 as it currently appears in Peoples' Natural Gas Tariff, Original Volume No. 1, which applies to service provided by the Company in most of its service territory.

Exhibit \_\_\_(JBC-2) is Peoples' Rider FTA-2 as it currently appears in Peoples' Natural Gas Tariff, Original Volume No. 2, which applies to service provided by the Company in and around Panama City and Ocala. These areas were formerly served by West Florida Natural Gas Company, now merged into Peoples as its West Florida Region.

Exhibit \_\_\_(JBC-3) is a "blacklined" depiction of the modifications to the imbalance cashout provisions contained in the Company's Firm Delivery and Operational Balancing

1 Agreement (the "Firm Delivery Agreement"). Pool Managers  
2 under both the Company's Rider FTA and Rider FTA-2 must  
3 execute the Firm Delivery Agreement to participate in  
4 either of these experimental firm transportation  
5 aggregation programs.  
6

7 **Q.** What is the purpose of your testimony in this docket?  
8

9 **A.** My testimony provides information in support of Peoples'  
10 experimental Firm Transportation Aggregation Service - 2  
11 Rider ("Rider FTA-2"), and in support of modifications to  
12 the cashout provisions in the Firm Delivery Agreement. I  
13 will describe the benefits the Rider FTA-2 program is  
14 expected to provide to Peoples' customers and to the  
15 company. I also describe the activities and efforts that  
16 the company is conducting to increase the likelihood of  
17 success of Rider FTA-2. Finally, I describe the changes  
18 made to the imbalance cashout provisions contained in the  
19 Firm Delivery Agreement and the rationale for such changes.  
20

21 **Q.** Isn't Rider FTA-2 already in effect?  
22

23 **A.** Yes, Rider FTA-2 became effective on October 17, 1999 after  
24 the Commission decided not to take action at the October 5<sup>th</sup>  
25 Agenda Conference. Peoples filed its petition for approval

1 of this new experimental program on July 19, 1999. After  
2 discussions with the Commission Staff, the Company filed an  
3 amendment to the petition on August 17, 1999. At Staff's  
4 request, the company eliminated the 10 customer per pool  
5 requirement and reduced the term of the pilot program from  
6 approximately twenty months to only one year. At the Agenda  
7 Conference, the Commission permitted the Riders, in the  
8 form of Exhibits \_\_\_(JBC-1) and \_\_\_(JBC-2), and the  
9 modifications to the cashout mechanism in the Firm Delivery  
10 Agreement, to become effective as filed. Those tariff  
11 provisions are currently effective throughout the areas in  
12 which Peoples provides service.

13  
14 **Q.** What recent efforts has Peoples made to make transportation  
15 service available to its firm non-residential customers?  
16

17 **A.** Before December 1996, transportation service was available  
18 under Peoples' tariff for customers using over 500,000  
19 therms per year, at either a single location or multiple  
20 locations. Transportation service or, more specifically,  
21 unbundled gas supply, for these large-volume customers  
22 require sophisticated flow correction devices, telemetry  
23 equipment and daily scheduling and confirmation of gas  
24 supply packages and capacity on interstate pipelines.  
25 These requirements are needed to maintain the operational

1 integrity on Peoples' system, but are administratively  
2 difficult and expensive for smaller-volume commercial  
3 customers.  
4  
5 The Company had received requests from customers who  
6 desired to "pool," or aggregate, their purchases of gas  
7 from a single supplier for the purpose of meeting the  
8 500,000- therm eligibility requirement for transportation  
9 service. It had also received requests from suppliers who  
10 desired to provide such a pooling service for customers who  
11 were presently served by Peoples under a firm sales rate  
12 schedule. After evaluating these requests, Peoples sought  
13 the Commission's approval to implement a one-year  
14 experimental program pursuant to which firm customers could  
15 receive transportation service who were not otherwise  
16 individually eligible. The purpose of this pilot program  
17 was to determine the feasibility of providing a simplified  
18 transportation service to firm customers, as well as the  
19 extent to which supplier aggregated transportation service  
20 can be performed efficiently and without detriment to the  
21 services the Company provides to its other sales and  
22 transportation service customers. This experimental  
23 program -- Firm Transportation Aggregation Service, or  
24 Rider FTA -- was approved by the Commission's Order No.  
25 PSC-96-1515-FOF-GU, issued December 13, 1996.

1 Q. How many firm customers were participating in  
2 transportation service under the experimental Rider FTA  
3 program during the first two years of its existence?  
4

5 A. Approximately 200 Rider FTA participating customers were  
6 receiving gas supply from one of 11 (only 5 independent)  
7 eligible gas marketing companies. During calendar year  
8 1997, these participating customers consumed 19.7 million  
9 therms of natural gas. Their consumption during calendar  
10 year 1998 increased to 23.3 million therms, approximately  
11 9% of the total commercial customer consumption.  
12

13 Q. Is this experimental Rider FTA program still in effect?  
14

15 A. Yes, but it has been modified and expanded several times  
16 since it was first approved by the Commission in 1996. For  
17 example, participation limits have been expanded  
18 significantly. Initially, only those customers who elected  
19 to participate within 90 days of the initial program  
20 approval were eligible. Other modifications include  
21 extension of the program in 1998 for another year. Also,  
22 in April 1998 the program was modified to permit a Pool  
23 Manager to exceed the initial 30-customer limit on its  
24 Customer Pool.  
25



1 In 1999, the Commission approved a further two-year  
2 extension. With two years operating experience for Peoples  
3 and suppliers and customers transporting under Rider FTA,  
4 Peoples asked for and received Commission approval to  
5 increase program participation limits, to add new Pool  
6 Managers, add additional participating customers, expand  
7 applicability to additional commercial rate classes and to  
8 implement the experimental program in areas of the state  
9 (Panama City and Ocala) served pursuant to its Tariff  
10 Volume No. 2.

11

12 **Q.** How were these modifications received by Peoples customers?

13

14 **A.** They were very well received. Peoples had petitioned to  
15 increase the number of participating customers to 1,000.  
16 However, during the enrollment period, Peoples received  
17 applications from about 2,500 customer accounts through its  
18 12 qualified Pool Managers -- almost three times the new  
19 program limit.

20 **Q.** How did Peoples handle the over-subscription of the  
21 expanded and modified program you have described?

22

23 **A.** Despite the administrative effort and logistics associated  
24 with converting so many customers, Peoples filed an  
25 immediate revision to the modified program, which was

1 approved, permitting Peoples to accept all customers that  
2 had applied by April 30, 1999.  
3  
4 **Q.** After expansion of the FTA program in June 1999, what  
5 additional steps has the Company taken to provide  
6 transportation service?  
7  
8 **A.** As mentioned previously, Peoples filed its petition seeking  
9 approval of Rider FTA-2 on July 19, 1999.  
10  
11 **Q.** Why did Peoples seek the Commission's approval of Rider  
12 FTA-2?  
13  
14 **A.** Peoples believed that the ability to offer transportation  
15 service could be effective in increasing the throughput of  
16 gas on its system for the benefit of the Company and its  
17 customers. The Company viewed Rider FTA-2 as a means to  
18 increase transportation service. The Commission had  
19 already approved City Gas Company of Florida's ("City  
20 Gas'") Small Commercial Transportation Service ("SCTS")  
21 program, which permitted a supplier or marketer to convert  
22 existing commercial sales customers to transportation  
23 service when the supplier or marketer brought an equivalent  
24 volume of incremental throughput to the City Gas system.  
25 City Gas's SCTS rate schedule was approved on an

1 experimental basis by the Commission's Order No. PSC-97-  
2 1536-FOF-GU, issued December 8, 1997, and was approved  
3 permanently by Order No. PSC-99-0484-FOF-GU, issued on  
4 March 8, 1999.

5  
6 Despite significant improvements to the Company's Gas  
7 Management Systems, converting 2,500 customers from sales  
8 service to transportation service in one step -- without  
9 the appropriate infrastructure in place to deal with that  
10 many new transportation service customers -- resulted in  
11 confusion, frustration, and in some cases lower quality  
12 customer service than Peoples customarily provides.  
13 Peoples was unwilling to repeat that exercise, and again  
14 disappoint its customers and gas marketers.

15

16 **Q.** Please explain the nature of Peoples' experimental Rider  
17 FTA-2 and how it differs from Peoples' Rider FTA?

18

19 **A.** Rider FTA-2 is very similar to Rider FTA with the addition  
20 of the expansion features of City Gas' SCTS program.  
21 Participation in aggregated transportation service under  
22 Rider FTA-2 is available to:

23

24 (A) new firm commercial customers (that is, those  
25 customers to which Peoples first initiates

- 1 service after the effective date of the rider);
- 2 (B) existing firm commercial customers who qualify
- 3 for Peoples' Load Profile Enhancement Rider
- 4 (Rider LE); and
- 5 (C) existing firm commercial customers when their
- 6 Pool Manager adds an equivalent volume of
- 7 incremental load (that is, when their Pool
- 8 Manager adds a "new" transportation customer (as
- 9 described in A above).

10

11 Except for the eligibility provisions, the only differences

12 between the language in Riders FTA and FTA-2 are changes in

13 Rider FTA-2 to make clear that certain of the provisions

14 apply under both Rider FTA-2 and Rider FTA. It should also

15 be noted that Rider FTA-2 is applicable for a period of

16 only one year from its effective date (that is, until

17 approximately mid-October 2000), while the effectiveness of

18 Rider FTA will expire (unless Peoples seeks to further

19 extend it) on May 31, 2001. Except for the changes

20 mentioned above, the terms and conditions of Rider FTA-2,

21 as it applies to both customers and Pool Managers, are

22 virtually identical to the terms and conditions of Rider

23 FTA. Both the FTA and FTA-2 programs aggregate customer

24 loads under a qualified Pool Manager to make implementation

25 and management of the programs more manageable.

1 Q. Does Rider FTA-2 place any limits on the number of  
2 customers permitted in a customer pool?  
3  
4 A. No.  
5  
6 Q. Does it place any restrictions on the time frame within  
7 which eligible customers can begin participating in  
8 aggregated transportation service?  
9  
10 A. No. In fact, eligible customers can begin transportation  
11 service almost immediately under Rider FTA-2, and can do so  
12 at any time while the rider is effective.  
13  
14 Q. Why does Peoples believe Rider FTA-2 is beneficial to the  
15 Company and its customers?  
16  
17 A. Primarily because it will make transportation service  
18 immediately available to more of the Company's commercial  
19 customers, a result which Peoples views as consistent with  
20 The Commission Staff's desire that all non-residential  
21 natural gas customers be able to obtain transportation  
22 service in lieu of sales service. Rider FTA-2 is a further  
23 step toward accomplishing this objective. Without Rider  
24 FTA-2, Peoples currently has no tariff provisions in place  
25 that would permit additional non-residential customers to

1 obtain transportation of gas they might purchase from a  
2 third-party supplier or marketer.

3

4 **Q.** Does Rider FTA-2 provide any other benefits for the Company  
5 and its customers?

6

7 **A.** Yes. Rider FTA-2 provides three key benefits.

8

9 First, the new rider's use of incremental load as a driver  
10 for the conversion of existing sales service customers will  
11 create a natural pace to the conversion of customers from  
12 bundled sales service to transportation service. I have  
13 already described the confusion and frustration, and  
14 instances of lower quality customer service, that  
15 accompanied Peoples' one-time conversion of some 2,500  
16 customers in connection with the June 1, 1999  
17 implementation of the Company's expansion of the FTA  
18 program. These difficulties will not be repeated in  
19 implementing Rider FTA-2, since the program creates a  
20 natural pace to the addition of customers, basically equal  
21 to that of Peoples' system growth. Peoples believes this  
22 natural pace will be manageable in the interim period prior  
23 to further expansion of the availability of transportation  
24 service. If Peoples achieves its growth target of 4% to 8%  
25 customer growth per year, then up to 2,000 new customers

1 will be added annually. At this level, potentially over  
2 300 commercial customers will be added to Rider FTA-2 per  
3 month.

4  
5 The second key benefit is that customers who are completely  
6 new to the Peoples system will be able to utilize  
7 transportation service from the first day they become  
8 natural gas customers. This avoids the necessity that  
9 Peoples acquire gas supply to meet the new customers' needs  
10 for some uncertain period of time between the inception of  
11 service and the time when they are ultimately converted  
12 from sales service to transportation service.

13  
14 Peoples has made steady progress toward making unbundled  
15 transportation service available to more of its firm  
16 customers. Properly implemented, Peoples believes  
17 unbundled natural gas service can provide some benefits for  
18 customers. Peoples' Rider FTA-2 is merely the next logical  
19 step in this progression.

20  
21 **Q.** What is the third key benefit to Peoples' Rider FTA-2?

22  
23 **A.** The third key benefit to Rider FTA-2 is the most important.  
24 Rider FTA-2 encourages gas marketers to actively seek new  
25 customers who would benefit by using natural gas. The

1 presence of marketers in Peoples' expansion areas, coupled  
2 with their abilities to offer potential customers creative  
3 and flexible gas supply packages, will enhance the  
4 likelihood of new customers using Peoples' distribution  
5 system. Having more customers on the system will result in  
6 more efficient utilization of Peoples' fixed assets and  
7 reduced costs for all of the Company's customers. I  
8 believe the Commission's having permitted Rider FTA-2 to  
9 become effective in mid-October will permit the  
10 maximization of this third important benefit.

11  
12 Peoples' expansion of the availability of natural gas  
13 service throughout Florida makes the timing of Rider FTA-  
14 2's effectiveness extremely important. There are currently  
15 significant numbers of potential new natural gas customers  
16 available across Florida, particularly in Southwest  
17 Florida, Tampa, Palm Beach, Jacksonville, Orlando and  
18 Hernando County. Natural gas service will be available for  
19 the first time in Ft. Myers, Brooksville, and other parts  
20 of the state by the end of 1999. Peoples has communicated  
21 to independent marketers and all other interested parties  
22 the locations of its new lines in the hope that qualified  
23 gas marketers will concentrate their efforts in these areas  
24 and promote the use of natural gas.

25



1 Q. The Commission Staff, in its recommendation in this docket  
2 dated September 23, 1999, expressed some concern that Rider  
3 FTA-2 discriminates against existing sales service  
4 customers. According to the Staff, those customers will be  
5 unable to obtain transportation service through a Pool  
6 Manager unless that Pool Manager has brought new,  
7 incremental load to the Peoples system, whereas sales  
8 service customers who were permitted to convert to  
9 transportation service under Rider FTA did not face such a  
10 restriction. Does Peoples believe Rider FTA-2  
11 discriminates against existing sales service customers?  
12

13 A. No, and the Staff's concern in this area is somewhat  
14 difficult to understand since the Staff had already  
15 recommended, and the Commission had granted, approval of  
16 City Gas' substantially similar Rate Schedule SCTS, first  
17 on an experimental basis, and later on a permanent basis.  
18 Thus, as recommended by the Commission Staff, the  
19 Commission appears to have already determined that a rate  
20 schedule establishing eligibility based on bringing new  
21 load to the utility's system is not discriminatory.  
22

23 More important, my understanding of Chapter 366 is that it  
24 prohibits any public utility from giving any person or  
25 locality any "undue or unreasonable preference or

1 advantage," or from subjecting any person or locality to  
2 any "undue or unreasonable prejudice or disadvantage."  
3 Peoples does not believe Rider FTA-2 contravenes either of  
4 these prohibitions. Although, as recently expanded and  
5 modified, Rider FTA permitted existing sales service  
6 customers to convert to transportation without requiring  
7 that their Pool Managers add new load to the Peoples  
8 system, customers who desired to make this conversion were  
9 required to elect to convert within a specified period of  
10 time. This provision of Rider FTA did not discriminate  
11 against customers who did not elect to participate in the  
12 program during the enrollment period. In addition, the  
13 modifications to Rider FTA, as initially approved,  
14 permitted only 1,000 customers to participate in the  
15 expanded program. After Peoples received approval to  
16 permit participation under the rider by all customers who  
17 had applied for service by the deadline, participation was  
18 closed to any customers applying thereafter. Again, no one  
19 suggested that this closure of the rider to future  
20 applicants subjected such applicants to any undue or  
21 unreasonable discrimination or disadvantage, or that those  
22 who had timely applied had been given any undue or  
23 unreasonable preference or advantage.

24

25 All of Peoples' existing customers who wanted to convert

1 from sales service to aggregated transportation service had  
2 an opportunity to do so in April 1999 when Peoples offered  
3 expanded participation in its Rider FTA program. Peoples  
4 permitted all of those customers who applied by the  
5 deadline to participate in the expanded and modified  
6 program. Peoples does not view its making transportation  
7 service available to new customers, and to existing  
8 customers whose Pool Managers bring new customers to the  
9 Peoples system, as discrimination against customers who  
10 have already had an opportunity to convert from sales to  
11 transportation service. In addition, first-time natural  
12 gas customers in Peoples' service areas have never had an  
13 opportunity to select transportation service in lieu of  
14 sales service. New customers are frequently facing an  
15 economic decision regarding whether or not to use natural  
16 gas. The availability of Rider FTA-2 will help new  
17 customers make a more informed decision. Peoples does not  
18 view now giving them that opportunity -- through Rider FTA-  
19 2 -- to constitute an undue or unreasonable preference or  
20 advantage.

21 Finally, any rate or tariff program, such as Rider FTA or  
22 Rider FTA-2, which is of necessity limited in terms of the  
23 numbers or types of customers who may participate, could be  
24 considered, because of its very nature, to be  
25 discriminatory or preferential. Peoples does not believe

1           there is anything associated with the experimental Rider  
2           FTA-2 that would sufficiently distinguish it from other  
3           pilot or experimental programs so as to render it "unduly  
4           or unreasonably" discriminatory or preferential.

5

6   **Q.**    What steps is Peoples taking to increase the likelihood of  
7           Rider FTA-2 being a success?

8

9   **A.**    To be a success, Peoples believes that there must be robust  
10           participation by several qualified Pool Managers. Peoples  
11           is attempting to achieve this level of participation by  
12           providing to any requesting marketer an information package  
13           to assist with the identification of potential new  
14           customers. Similarly, Peoples conducted a two-day joint  
15           utility personnel and gas marketer personnel training  
16           seminar and marketing blitz. Peoples believes the  
17           information packages and marketing material proved to be a  
18           tremendous success.

19

20   **Q.**    Please explain the modifications to the imbalance cashout  
21           compensation under the Firm Delivery Agreement, which the  
22           Commission permitted to become effective in mid-October.

23

24   **A.**    The modifications are shown in legislative format on my  
25           Exhibit \_\_\_ (JBC-3). The Firm Delivery Agreement between

1 Peoples and each Pool Manager providing service to  
2 customers under Rider FTA (and, after the effective date of  
3 the modifications, Rider FTA-2) requires the Pool Manager  
4 to purchase from Peoples any gas taken by customers in  
5 excess of the aggregate quantities nominated for such  
6 customers during a month. Conversely, the Firm Delivery  
7 Agreement requires the Pool Manager to sell to Peoples any  
8 gas delivered to Peoples for the Pool Manager's customers'  
9 accounts in excess of the aggregate quantities taken by  
10 such customers during a month. Under the Firm Delivery  
11 Agreement, these purchases and sales are "cashed out."

12

13 The imbalance cashout modifications the Commission  
14 permitted to become effective in mid-October 1999 remove a  
15 concern voiced by Pool Managers -- that Peoples' cashout  
16 relied on Peoples' own gas purchases, rather than on  
17 published market indices -- as the basis for cashout  
18 compensation. The modifications changed the cashouts by:

19

20 (A) changing the commodity rate reimbursed when customers  
21 burn less gas than was delivered to Peoples for their  
22 accounts during a month from (i) the lesser of the  
23 average of weekly prices for spot gas delivered to  
24 Florida Gas Transmission Company ("FGT") at Mustang  
25 Island (Tivoli), Texas, Vermillion Parish, Louisiana,

1 or St. Helena Parish, Louisiana, as reported in  
2 *Natural Gas Week*, or Peoples' lowest supplier  
3 commodity rate for the month, to (ii) the lowest of  
4 the average of weekly prices for spot gas delivered to  
5 FGT at Mustang Island (Tivoli), Texas, Vermillion  
6 Parish, Louisiana, or St. Helena Parish, Louisiana, as  
7 reported in *Natural Gas Week*;

8 (B) changing the commodity rate charged by Peoples when  
9 customers burn more gas than was delivered to Peoples  
10 for their accounts during a month from (i) the greater  
11 of Peoples' applicable purchased gas adjustment  
12 charge, or the highest average of weekly prices for  
13 spot gas delivered to FGT at Mustang Island (Tivoli),  
14 Texas, Vermillion Parish, Louisiana, and St. Helena  
15 Parish, Louisiana, as reported in *Natural Gas Week*,  
16 for the month, to (ii) the highest average of weekly  
17 prices for spot gas delivered to FGT at Mustang Island  
18 (Tivoli), Texas, Vermillion Parish, Louisiana, or St.  
19 Helena Parish, Louisiana, as reported in *Natural Gas*  
20 *Week*, for the month; and

21 (C) changing the capacity rate charged by Peoples when  
22 customers burn more gas than was delivered to Peoples  
23 for their accounts during a month from (i) the FGT  
24 FTS-2 100% load factor rate for the transportation of  
25 such gas to (ii) the FGT FTS-1 100% load factor rate

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for the transportation of such gas.

The commodity rate charged under the modified cashout procedure is consistent with the commodity rate charged to Peoples by FGT. At the time Peoples modified its tariff to adopt the current imbalance cashout provisions of the Firm Delivery Agreement, it intended to make similar changes to the imbalance cashout provisions applicable to the Company's other transportation customers who do not participate in the experimental Rider FTA program. However, based on feedback from transportation customers and further review of the costs incurred by Peoples as a result of transportation customer imbalances, Peoples determined that the revised cashout procedures I have just described address the concerns expressed by many of the Company's transportation customers while also adequately protecting its system supply customers. In essence, the changes deleted -- from the possible choices of the commodity price to be paid by or reimbursed to a Pool Manager -- what have been referred to as "internally generated numbers" (that is, the Company's lowest supplier commodity rate for the month, in the case of a positive imbalance cashout, and the Company's applicable Purchased Gas Adjustment Charge for the month, in the case of a negative imbalance cashout), thereby leaving the commodity

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price to be determined solely by published market indices. Peoples made these modifications to the cashout compensation provisions of the Firm Delivery Agreement in response to Pool Managers' and customers' requests, and they support the changes which the Commission permitted to become effective.

**Q.** Does this conclude your prefiled direct testimony?

**A.** Yes, it does.



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a Division of Tampa Electric Company  
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**FIRM TRANSPORTATION AGGREGATION SERVICE 2**  
**Experimental Tariff**  
**Rider FTA-2**

**Availability:**

Limited in time and scope, on an experimental basis during the period from the date on which this Rider initially becomes effective through September 30, 2000, and subject to the special conditions set forth herein, to any Customer account for which gas service is received from Company and (a) for which service hereunder is requested as a part of a Customer Pool (as herein defined), (b) for which Gas is purchased as a part of Gas purchased from or through a Pool Manager (as herein defined) for a Customer Pool administered by such Pool Manager, (c) which would otherwise qualify for service under Rate Schedule SGS, GS, CSLS, GSLV-1, GSLV-2, GTSLV-2, NGVSS or NGVTS, and (d) which either (1) first initiates gas service at a new Point of Delivery (or reactivates service at an existing Point of Delivery not served by Company during the preceding six months) after the initial effective date of this Rider, (2) qualifies for Company's Load Profile Enhancement Rider (Rider LE), or (3) is served by a Pool Manager which adds an equivalent volume of incremental load for transportation on Company's system. No more than 40 independent Customer Pools (including those established under Company's Natural Gas Tariff, Original Volume No. 2) may receive service pursuant to this Rider and/or the Company's Rider FTA. Service pursuant to this Rider is available throughout the service areas of the Company (including those served pursuant to the Company's Natural Gas Tariff, Original Volume No. 2) when such service can be made available without detriment to service to the Company's other customers.

**Applicability:**

To transportation of Gas delivered to Company by a Pool Manager for a Customer account pursuant to this Rider.

**Monthly Rate:**

The Monthly Rate for transportation service applicable to each individually billed Customer account shall be the Monthly Rate applicable to such individually billed account under Rate Schedule SGS, GS, CSLS, GSLV-1, GSLV-2, GTSLV-2, NGVSS or NGVTS, based upon the annual therm usage of such separately metered account.

**Special Conditions:**

1. This Rider implements a pilot program designed to test the feasibility of providing simplified transportation service to firm customers in a manner that will permit monitoring, feedback and an opportunity to modify the terms and conditions of this Rider in order to determine whether to continue such service or expand its availability.
2. If Company determines that the pilot program implemented by this Rider is operating successfully, Company may, at any time after the effective date of this Rider, by providing written notice to the Commission, each then participating Pool Manager, and any other person who has notified the Company in writing that it desires to participate in the program, modify this Rider by increasing the number of Customer accounts and/or Pool Managers eligible to participate in such program. Any such future modification by Company shall become effective 30 days after the later to occur of the aforesaid notice required of Company and the filing by Company of revised tariff sheets reflecting such modification.
3. For purposes of this Rider, "Customer Pool" means a group of Customer accounts which, in the aggregate, have annual Gas consumption of at least 100,000 Therms, provided, however, that, subject to all other provisions hereof, (a) a group of Customer accounts served by a single supplier under the Company's Rider

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FIRM TRANSPORTATION AGGREGATION SERVICE 2 (continued)

FTA prior to January 1, 1999 shall qualify as a Customer Pool hereunder, and (b) reduction in the number of Customer accounts comprising a Customer Pool shall not disqualify the Customer Pool for service hereunder as long as the Customer Pool met the foregoing definition at the time its service hereunder or under Rider FTA commenced. Company shall have the right at any time on written notice to the Commission, each then participating Pool Manager, and each Customer receiving service hereunder, to temporarily suspend initiation of service hereunder to additional Customer accounts and/or Pool Managers, and petition the Commission for authority to close this Rider to participation by additional Customer accounts. Any such notice by Company shall be effective as of the day following the day on which it is sent by Company provided Company's petition to the Commission is filed prior to, or within seven (7) days following, the day on which Company's notice is issued.

4. For purposes of this Rider, "Pool Manager" means a person or entity which has:
  - a. Entered into agreements to sell Gas to, or procure Gas for, Customer accounts desiring to receive service pursuant to this Rider or Rider FTA as part of a Customer Pool;
  - b. Executed and delivered to Company after January 1, 1999 an unmodified Firm Delivery and Operational Balancing Agreement (in the form set forth on Sheets 8.119 through 8.119-9 of this tariff) for an initial term of not less than one year, obligating such person or entity to deliver Gas to Company on a firm basis (in a minimum aggregate amount of 100,000 Therms annually) for the accounts which are part of a Customer Pool, resolve directly with the Company imbalances between (i) the quantities of Gas delivered to Company for the accounts in the Customer Pool and (ii) the quantities of Gas taken by such Customer Pool, and establish and maintain credit pursuant to the terms of such agreement; and
  - c. Executed and delivered to Company after January 1, 1999 an unmodified Master Capacity Release Agreement providing for such person's or entity's acquisition from Company of primary firm interstate pipeline transportation capacity to be used for the transportation and delivery to Company of Gas purchased by a Customer Pool receiving service pursuant to this Rider and/or Rider FTA.

A Pool Manager may be disqualified by Company from providing service hereunder in accordance with the Firm Delivery and Operational Balancing Agreement.

5. To initiate service pursuant to this Rider, a Customer shall execute and deliver to a Pool Manager (for delivery by such Pool Manager to Company) (i) a letter of authorization in the form set forth on Sheets 8.118 through 8.118-1 of this tariff and (ii) a copy of a recent Company invoice for service for each account for which the Customer desires to receive service pursuant to this Rider. Service by Company to a Customer account pursuant to this Rider will commence on the first day of the month following (but not less than 30 days after) the Pool Manager's delivery to Company of a properly completed letter of authorization and the required invoice(s). Company will provide written notice, not less than two weeks prior to the scheduled commencement of service hereunder, to each Pool Manager, and to each Customer having an account to be served hereunder by such Pool Manager, regarding their respective eligibility to participate in service pursuant to this Rider.

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**FIRM TRANSPORTATION AGGREGATION SERVICE 2 (continued)**

6. Subject to the terms hereof, the initial period of service to each Customer account hereunder shall be one year from the date such service commences.
7. Company shall have the right, exercisable on written notice to the Commission, each participating Pool Manager, and each Customer receiving service hereunder, given not less than 90 days prior to the date on which this Rider has been in effect for one year, to terminate this Rider as it applies to each participating Customer account (effective as of the end of the initial period of service hereunder to such Customer account). Thereafter, Company shall also have the right, exercisable on written notice to the Commission, each participating Pool Manager, and each Customer receiving service hereunder, to terminate this Rider as it applies to each participating Customer account, to extend the effectiveness of this Rider on an experimental basis, to expand or reduce the scope of (or otherwise modify) this Rider, or to make this Rider permanent, any such action by Company to become effective as of the date specified in an order of the Commission approving such action.
8. A Customer account receiving service under this Rider may terminate service hereunder by its then serving Pool Manager and commence service hereunder (within the time and in the manner provided in Special Condition 5) by a different Pool Manager. There shall be no charge by Company to Customer for the first such change of Pool Managers for an account within a 12-month period. A Customer shall pay to Company for each subsequent change in Pool Managers for any account an administrative fee of \$10.00.
9. A Customer receiving service under this Rider may at any time discontinue service hereunder by giving Company 90 days written notice.
10. For purposes of curtailment or interruption by Company, each individually billed account receiving service hereunder shall be treated by the Company in accordance with the curtailment provisions found in the rate schedule (i.e., SGS, GS, CSLS, GSLV-1, GSLV-2, GTSLV-2, NGVSS or NGVTS) otherwise applicable to such account.
11. Amounts payable to Company by Customer pursuant to the rate schedule applicable to each individually billed account shall be subject to the operation of the Company's Tax and Fee Adjustment Clause (set forth on Sheet No. 7.101-1), Energy Conservation Cost Recovery Clause (set forth on Sheet No. 7.101-1), and Competitive Rate Adjustment Clause (set forth on Sheets Nos. 7.101-1 through 7.101-3).
12. If requested by a Customer account and the Pool Manager administering service hereunder to such account, Company will bill the Pool Manager's charges for service provided hereunder to such account. Company shall charge a Pool Manager \$5.00 per bill for such optional service.
13. Except as modified by the provisions set forth above, service under this Rider shall be subject to the Rules and Regulations set forth in this tariff.

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**FIRM TRANSPORTATION AGGREGATION SERVICE 2**  
**Experimental Tariff**  
**Rider FTA-2**

**Availability:**

Limited in time and scope, on an experimental basis during the period from the date on which this Rider initially becomes effective through September 30, 2000, and subject to the special conditions set forth herein, to any Customer account for which gas service is received from Company and (a) for which service hereunder is requested as a part of a Customer Pool (as herein defined), (b) for which Gas is purchased as a part of Gas purchased from or through a Pool Manager (as herein defined) for a Customer Pool administered by such Pool Manager, (c) which would otherwise qualify for service under Rate Schedule CS, LCS, FIS, TFIS or LCT, and (d) which either (1) first initiates gas service at a new Point of Delivery (or reactivates service at an existing Point of Delivery not served by Company during the preceding six months) after the initial effective date of this Rider, (2) qualifies for Company's Load Profile Enhancement Rider (Rider LE), or (3) is served by a Pool Manager which adds an equivalent volume of incremental load for transportation on Company's system. No more than 40 independent Customer Pools (including those established under Company's Natural Gas Tariff, Original Volume No. 1) may receive service pursuant to this Rider and/or the Company's Rider FTA. Service pursuant to this Rider is available throughout the service areas of the Company (including those served pursuant to the Company's Natural Gas Tariff, Original Volume No. 1) when such service can be made available without detriment to service to the Company's other customers.

**Applicability:**

To transportation of Gas delivered to Company by a Pool Manager for a Customer account pursuant to this Rider.

**Monthly Rate:**

The Monthly Rate for transportation service applicable to each individually billed Customer account shall be the Monthly Rate applicable to such individually billed account under Rate Schedule CS, LCS, FIS, TFIS or LCT based upon the annual therm usage of such separately metered account.

**Special Conditions:**

1. This Rider implements a pilot program designed to test the feasibility of providing simplified transportation service to firm customers in a manner that will permit monitoring, feedback and an opportunity to modify the terms and conditions of this Rider in order to determine whether to continue such service or expand its availability.
2. If Company determines that the pilot program implemented by this Rider is operating successfully, Company may, at any time after the effective date of this Rider, by providing written notice to the Commission, each then participating Pool Manager, and any other person who has notified the Company in writing

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**FIRM TRANSPORTATION AGGREGATION SERVICE 2 (continued)**

that it desires to participate in the program, modify this Rider by increasing the number of Customer accounts and/or Pool Managers eligible to participate in such program. Any such future modification by Company shall become effective 30 days after the later to occur of the aforesaid notice required of Company and the filing by Company of revised tariff sheets reflecting such modification.

3. For purposes of this Rider, "Customer Pool" means a group of Customer accounts which, in the aggregate, have annual Gas consumption of at least 100,000 Therms, provided, however, that, subject to all other provisions hereof, (a) a group of Customer accounts served by a single supplier under the Company's Rider FTA prior to January 1, 1999 shall qualify as a Customer Pool hereunder, and (b) reduction in the number of Customer accounts comprising a Customer Pool shall not disqualify the Customer Pool for service hereunder as long as the Customer Pool met the foregoing definition at the time its service hereunder or under Rider FTA commenced. Company shall have the right at any time on written notice to the Commission, each then participating Pool Manager, and each Customer receiving service hereunder, to temporarily suspend initiation of service hereunder to additional Customer accounts and/or Pool Managers, and petition the Commission for authority to close this Rider to participation by additional Customer accounts. Any such notice by Company shall be effective as of the day following the day on which it is sent by Company provided Company's petition to the Commission is filed prior to, or within seven (7) days following, the day on which Company's notice is issued.
4. For purposes of this Rider, "Pool Manager" means a person or entity which has:
  - a. Entered into agreements to sell Gas to, or procure Gas for, Customer accounts desiring to receive service pursuant to this Rider or Rider FTA as part of a Customer Pool;
  - b. Executed and delivered to Company after January 1, 1999 an unmodified Firm Delivery and Operational Balancing Agreement (in the form set forth on Sheets 8.033 through 8.044 of this tariff) for an initial term of not less than one year, obligating such person or entity to deliver Gas to Company on a firm basis (in a minimum aggregate amount of 100,000 Therms annually) for the accounts which are part of a Customer Pool, resolve directly with the Company imbalances between (i) the quantities of Gas delivered to Company for the accounts in the Customer Pool and (ii) the quantities of Gas taken by such Customer Pool, and establish and maintain credit pursuant to the terms of such agreement; and
  - c. Executed and delivered to Company after January 1, 1999 an unmodified Master Capacity Release Agreement providing for such person's or entity's acquisition from Company of primary firm interstate pipeline transportation capacity to be used for the transportation and

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**FIRM TRANSPORTATION AGGREGATION SERVICE 2 (continued)**

delivery to Company of Gas purchased by a Customer Pool receiving service pursuant to this Rider and/or Rider FTA. A Pool Manager may be disqualified by Company from providing service hereunder in accordance with the Firm Delivery and Operational Balancing Agreement.

5. To initiate service pursuant to this Rider, a Customer shall execute and deliver to a Pool Manager (for delivery by such Pool Manager to Company) (i) a letter of authorization in the form set forth on Sheets 8.031 through 8.032 of this tariff and (ii) a copy of a recent Company invoice for service for each account for which the Customer desires to receive service pursuant to this Rider. Service by Company to a Customer account pursuant to this Rider will commence on the first day of the month following (but not less than 30 days after) the Pool Manager's delivery to Company of a properly completed letter of authorization and the required invoice(s). Company will provide written notice, not less than two weeks prior to the scheduled commencement of service hereunder, to each Pool Manager, and to each Customer having an account to be served hereunder by such Pool Manager, regarding their respective eligibility to participate in service pursuant to this Rider.
6. Subject to the terms hereof, the initial period of service to each Customer account hereunder shall be one year from the date such service commences.
7. Company shall have the right, exercisable on written notice to the Commission, each participating Pool Manager, and each Customer receiving service hereunder, given not less than 90 days prior to the date on which this Rider has been in effect for one year, to terminate this Rider as it applies to each participating Customer account (effective as of the end of the initial period of service hereunder to such Customer account). Thereafter, Company shall also have the right, exercisable on written notice to the Commission, each participating Pool Manager, and each Customer receiving service hereunder, to terminate this Rider as it applies to each participating Customer account, to extend the effectiveness of this Rider on an experimental basis, to expand or reduce the scope of (or otherwise modify) this Rider, or to make this Rider permanent, any such action by Company to become effective as of the date specified in an order of the Commission approving such action.
8. A Customer account receiving service under this Rider may terminate service hereunder by its then serving Pool Manager and commence service hereunder (within the time and in the manner provided in Special Condition 5) by a different Pool Manager. There shall be no charge by Company to Customer for the first such change of Pool Managers for an account within a 12-month period. A Customer shall pay to Company for each subsequent change in Pool Managers for any account an administrative fee of \$10.00.
9. A Customer receiving service under this Rider may at any time discontinue service hereunder by giving Company 90 days written notice.

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Original Sheet No. 7.532-3

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**FIRM TRANSPORTATION AGGREGATION SERVICE 2 (continued)**

10. For purposes of curtailment or interruption by Company, each individually billed account receiving service hereunder shall be treated by the Company in accordance with the curtailment provisions found in the rate schedule (i.e., CS, LCS, FIS, TFIS or LCT) otherwise applicable to such account.
11. Amounts payable to Company by Customer pursuant to the rate schedule applicable to each individually billed account shall be subject to the operation of the Company's Tax and Fee Adjustment Clause (set forth on Sheet No. 7.102), Energy Conservation Cost Recovery Clause (set forth on Sheet No. 7.103), and Firm Rate Adjustment (set forth on Sheets Nos. 7.103 through 7.105).
12. If requested by a Customer account and the Pool Manager administering service hereunder to such account, Company will bill the Pool Manager's charges for service provided hereunder to such account. Company shall charge a Pool Manager \$5.00 per bill for such optional service.
13. Except as modified by the provisions set forth above, service under this Rider shall be subject to the Rules and Regulations set forth in this tariff.

EXCERPT FROM  
FIRM DELIVERY AND OPERATIONAL BALANCING AGREEMENT  
Experimental Tariffs  
Riders FTA and FTA-2

**Section 5.3 Correction of Imbalances.** PGS and Pool Manager intend that all Monthly Imbalance Amounts shall be resolved as of the end of each Month. At the end of each Month, the Monthly Imbalance Amount (if any) incurred during such Month shall be resolved in cash as follows:

(a) Positive Imbalances. If a Monthly Imbalance Amount is Positive (*i.e.*, the sum of the ADCQs of the Customer Pool for the Month exceeds the Actual Takes of the Customer Pool for such Month), PGS shall purchase from Pool Manager (and Pool Manager shall sell to PGS) such Monthly Imbalance Amount at a price per Therm (the "Unit Price") equal to the ~~lesser~~ lowest of the average of weekly prices for spot gas delivered to FGT at Mustang Island (Tivoli), Texas, Vermillion Parish, Louisiana, ~~and~~ or St. Helena Parish, Louisiana, as reported in *Natural Gas Week*, ~~or PGS's lowest supplier commodity rate~~, for the Month in which such Monthly Imbalance Amount was incurred, multiplied by the applicable factor set forth below:

<u>Imbalance Level</u>	<u>Factor</u>
0% to 5%	1.00
Greater than 5% to 20%	0.90
Greater than 20%	0.80

The total amount due Pool Manager pursuant to this paragraph (a) shall be the product of the Unit Price (calculated as set forth herein) and such Monthly Imbalance Amount.

(b) Negative Imbalances. If a Monthly Imbalance Amount is Negative (*i.e.*, Actual Takes of the Customer Pool exceed the sum of the ADCQs of the Customer Pool for such Month), PGS shall sell to Pool Manager (and Pool Manager shall purchase from PGS) such Monthly Imbalance Amount at a price per Therm (the "Unit Price") equal to ~~the greater of (1) PGS's applicable Purchased Gas Adjustment Charge, multiplied by the applicable factor set forth below, or (2) the sum of (i) the highest average of weekly prices for spot gas delivered to FGT at Mustang Island (Tivoli), Texas, Vermillion Parish, Louisiana, and~~ or St. Helena Parish, Louisiana, as reported in *Natural Gas Week*, for the Month in which such Monthly Imbalance Amount accumulated, multiplied by the applicable factor set forth below:

<u>Imbalance Level</u>	<u>Factor</u>
0% to 5%	1.00
Greater than 5% to 20%	1.10
Greater than 20%	1.20



plus (ii) the FGT FTS-1 100% load factor rate for the transportation of such Gas an amount equal to the sum of (A) the FGT FTS 2 usage rate (including, but not limited to, reservation and usage charges, and surcharges, fuel reimbursement charges, and other applicable charges, taxes, assessments and fees) and (B) ~~the 100% load factor equivalent of FGT's FTS 2 reservation charge.~~ The total amount due PGS pursuant to this paragraph (b) shall be the product of the Unit Price (calculated as set forth herein) and such Monthly Imbalance Amount.