

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of modifications to tariff provisions governing transportation of customer-owned gas and tariff provisions to implement Rule 25-7.0335, F.A.C., by Tampa Electric Company d/b/a Peoples Gas System.

DOCKET NO. 000810-GU  
ORDER NO. PSC-00-1814-TRF-GU  
ISSUED: October 4, 2000

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman  
E. LEON JACOBS, JR.  
LILA A. JABER  
BRAULIO L. BAEZ

ORDER APPROVING MODIFICATIONS TO TARIFF PROVISIONS GOVERNING  
TRANSPORTATION OF CUSTOMER-OWNED GAS AND TARIFF PROVISIONS TO  
IMPLEMENT RULE 25-7.0335, FLORIDA ADMINISTRATIVE CODE

BY THE COMMISSION:

As a result of the Federal Energy Regulatory Commission's (FERC) Order 636, several states began evaluating the costs and benefits of mandating open access on the natural gas distribution utilities, i.e. allowing end use customers to purchase their own gas supplies. In Florida, large end-use customers have been authorized to purchase their own gas supplies and have the gas utility transport those gas supplies since the late 1980's. Those natural gas utilities that offered transportation to their large customers, did so voluntarily. We did not mandate the utility to provide such service. At the time the Florida natural gas utilities were preparing to offer transportation service, they developed a volume threshold that the customer would have to meet before it would be eligible to receive transportation service. These thresholds are still in place today. The current thresholds

DOCUMENT NUMBER-DATE

12572 OCT-48

FPSC-RECORDS/REPORTING

ORDER NO. PSC-00-1814-TRF-GU  
DOCKET NO. 000810-GU  
PAGE 2

range from 100,000 therms per year to 500,000 therms per year, varying by Company.

We opened a docket in June 1996 to evaluate the costs and benefits of reducing or removing the transportation thresholds currently applied by the natural gas utilities. The staff held three two-day workshops involving the discussion of pertinent issues related to open access transportation. After each workshop, interested persons and parties were given the opportunity to file written comments.

On October 6, 1997, Commission staff developed a Model Transportation Tariff to provide the natural gas utilities a basis to tailor their own tariffs. While no natural gas utility attempted to develop an open access tariff, two utilities did develop and implement aggregation tariffs. These tariffs allow third party marketers to accumulate the loads of several customers to meet the threshold requirements imposed by the utilities.

On April 4, 2000, we issued Order No. PSC-00-0630-FOF-GU, adopting Rule 25-7.0335, Florida Administrative Code (F.A.C.), Transportation Service. The rule requires Florida's investor-owned natural gas utilities to offer transportation service to all non-residential customers and file a transportation service tariff with us by July 1, 2000.

On July 3, 2000, Tampa Electric Company d/b/a Peoples Gas System (Peoples or Company) filed a petition for approval of modifications to its tariff provisions governing the transportation of customer-owned gas and tariff provisions to implement Rule 25-7.0335, F.A.C. Jurisdiction in this matter is vested by Sections 366.04, 366.05, and 366.06, Florida Statutes.

Peoples' proposed transportation tariff is called the Natural Choice Program. The tariff makes transportation service available to all non-residential customers on a phased-in basis beginning November 1, 2000. Currently, Peoples provides transportation service through various rate schedules, experimental programs, and tariff riders. The Natural Choice Program makes it easier to obtain and employ transportation service for both the customer and gas marketers by consolidating and simplifying the existing programs.

Under the Natural Choice Program, there are two types of transportation service offered, "Pooled" and "Individual". Pooled

transportation service allows the small use commercial customer to secure gas supply from a gas marketer as part of the gas supply needs for a group of customers. Individual transportation service allows commercial and industrial customers, under certain rate schedules, to take transportation service on an individual basis.

With approval of the Natural Choice Program, several existing experimental rate schedules and tariff riders would be closed and or limited to existing customers. Two experimental transportation service programs, Riders FTA and FTA-2, would be eliminated, and the participating customers will be transferred to the new Natural Choice Transportation Service Rider (NCTS). The Transportation Aggregation Rider (TA) would be closed to new participants.

As these transportation changes are implemented, additional expenses are going to be incurred in administering the Natural Choice Program and the overall offering of transportation services to non-residential customers. The Company developed several charges applicable to various programs as follows:

Pool Administrative Fee: The Pool Administrative Fee is a permanent monthly fee assessed to Pool Managers under Rider NCTS. The fee offsets ongoing expenses incurred by the Company to support Pool Managers in providing transportation service to aggregated customer groups selecting Rider NCTS. Pool Managers aggregate the small use customers and supply natural gas on their behalf. The administration fee consists of two parts: a fixed component, which is a flat monthly fee of \$142 applicable to each Pool Manager regardless of the number of customers in the pool, and a variable fee component, consisting of a flat rate of \$.91 per customer account within a pool month.

Individual Transportation Administrative Fee: The Individual Transportation Administrative Fee of \$148 is a permanent monthly fee assessed every customer selecting service under the Individual Transportation Service Rider (Rider ITS), and those customers electing to stay grandfathered in the Company's Rider TA program. The fee offsets the ongoing expenses incurred by the Company for providing transportation service to individual customers selecting Rider ITS and/or remaining in Rider TA.

Swing Service Charge: The Swing Service Charge is assessed to all firm commercial transportation customers served under Rider NCTS. Under Rider NCTS, the customer's Pool Manager delivers the monthly gas supply for the customer pool. The gas is delivered at

a constant level every day during the month even though the customer usage varies. Therefore, the level of gas delivered daily differs from the quantity actually consumed by the customer pool. To offset this daily difference, Peoples varies (swings) the level of gas and interstate pipeline capacity nominated for delivery to Peoples' system. The swing Service Charge is designed to recover the estimated costs incurred by the Company to provide this Swing Service. The revenue derived from the charge is credited to the Purchased Gas Adjustment (PGA).

The method used to develop Swing Service Charges is based on estimated system-wide costs for providing Swing Service and then allocated among the rate classes according to the relative variation in monthly consumption for each rate class. Allocation between rate classes is based on the difference between each class' maximum monthly consumption compared to the class' minimum monthly consumption.

According to Peoples, the billing factors for the Swing Service Charge are based on the best available data and cost estimates. The factors are designed to recover costs from commercial customers who cause the Company to incur such costs.

In an effort to refine the identification, allocation, and recovery of these costs, the Company is planning to conduct load research over the next three years to better identify customer load profiles. If a change in the methodology or billing factors becomes necessary as a result of the research, the Company will file, for our approval, a revision to the methodology and/or factors. The proposed factors are as follows:

<u>Rate Class</u>	<u>Billing Factor</u> <u>cents per therm</u>
SGS	\$0.0282
GS/SC	\$0.0146
GSLV-1/LCS	\$0.0126
GSLV-2/FIS	\$0.0099
Nat. Gas. Veh.	\$0.0290
Com. St. Light	\$0.0118

Transition Cost Recovery Charge: The Transition Cost Recovery Charge proposed by Peoples is a temporary fee to recover incremental expenses incurred by the Company to make transportation

service available to all non-residential customers pursuant to Rule 25-7.0335, F.A.C. The charge is based upon Peoples' estimated non-recurring, one-time costs of \$2.9 million. According to Peoples, the transition costs of \$2.9 million include costs that relate to both NCTS customers and large volume consumers already receiving transportation service. As originally proposed by Peoples, the Transition Cost Recovery Charge would be assessed to all non-residential customers who receive service under the NCTS or are eligible for NCTS service. However, at our September 5, 2000, Agenda Conference, the Company agreed to assess the charge to all non-residential customers, not just those eligible for NCTS service.

The Company originally proposed to recover the actual costs-to-date plus projected costs, adjusted for carrying costs at the Company's weighted cost of capital of 9.75%, over a two year period. The Company determined this percentage based on investor sources of capital only. However, at our September 5, 2000, Agenda Conference, Peoples agreed to apply a carrying charge of 8.67% based on its overall weighted cost of capital as reported in its June 2000 rate of return report. Peoples also agreed to a three-year recovery period. At the end of the recovery period, any over or under recovery would be trued-up. The total period for collection of the Transition Cost would not exceed four years from the effective date of November 1, 2000.

The Transition Cost Recovery Charge would be assessed to the rate classes affected by the rule, on a cents per therm basis, adjusted for the regulatory assessment fees, multiplied by the customer's monthly consumption. Peoples originally proposed a charge of \$0.00681 cents per therm, shown as a single line item on the customers' bill. However, at our September 5, 2000, Agenda Conference, the Company agreed to allocate the transition costs using the methodology used by this Commission to apply interim relief, resulting in the following factors:

<u>Rate Class</u>	<u>Transition Charge</u> <u>cents per therm</u>
CSL	\$0.00131
SGS	\$0.00922
GS/CS-WF	\$0.00385
GSLV-1/LCS-WF	\$0.00310
GSLV-2/FIS-WF	\$0.00225

Nat. Gas. Veh.	\$0.00089
SIS/IS-WF	\$0.00106
IS	\$0.00052
ISLV	\$0.00015

We find that the changes agreed to by Peoples are appropriate.

Peoples states it has met on several occasions with Pool Managers currently participating in its experimental Riders FTA and FTA-2, as well as with representatives of its individual transportation service customers. According to Peoples, it has considered the suggestions and concerns of each group, and has made every effort to accommodate their concerns.

The proposed charges in the Natural Choice Program are designed to recover incremental cost incurred by the Company and should have no impact on the Company's earnings.

We find that the tariff provisions proposed by Peoples and the charges proposed therein, as amended by agreement at our September 5, 2000, Agenda Conference, are reasonable. Further, we find that these tariff provisions would provide the following benefits:

- Provides transportation service to all non-residential customers either on an aggregated basis pursuant to Rider NCTS, or as an individual customer pursuant to Rider ITS.
- Eliminates experimental riders and increases flexibility to participating customers and Pool Managers.
- Eliminates separate transportation schedules for such customers and re-names the "non-gas energy charge" to "distribution" charge to apply to either sales or transportation service.

Therefore, we approve Peoples' proposed tariff provisions, as amended by agreement at our September 5, 2000 Agenda Conference. Peoples shall submit its amended tariff sheets for administrative approval.

ORDER NO. PSC-00-1814-TRF-GU  
DOCKET NO. 000810-GU  
PAGE 7

Based on the foregoing, it is

ORDERED that Tampa Electric Company d/b/a Peoples Gas System, shall submit its amended tariff sheets for administrative approval.

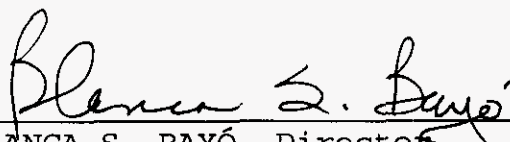
ORDERED by the Florida Public Service Commission that Tampa Electric Company d/b/a Peoples Gas System's petition for modifications to its tariff provisions governing transportation of customer-owned gas and tariff provisions to implement Rule 25-7.0335, Florida Administrative Code, as amended by agreement at the September 5, 2000, Agenda Conference, is approved. It is further

ORDERED that the effective date of these tariff provisions shall be November 1, 2000. It is further

ORDERED that if a protest is filed within 21 days of issuance of the Order, the tariff shall remain in effect with any charges held subject to refund pending resolution of the protest. It is further

ORDERED that if no timely protest is filed, this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 4th day of October, 2000.

  
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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 25, 2000.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.