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Writer's Direct Dial No.  
(850) 425-2313

October 21, 2002

Blanca Bayó  
Director, Division of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399

RECEIVED  
OCT 21 PM 12:23  
COMMISSION  
CLERK  
FPSC

Dear Ms. Bayó:

021065-6U

Enclosed for filing on behalf of NUI City Gas Company of Florida are the original and fifteen copies of:

- 1. Petition for Approval of Tariff Modification and Rule Waivers to Implement Pilot Flat Rate Billing Program for NUI City Gas Company of Florida and diskette. **11412-02**
- 2. Direct Testimony
  - A. Richard Wall **11413-02**
  - B. Daniel J. Nikolich **11414-02**
  - C. Thomas Kaufmann **11415-02**

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning it to me. Please call me if you have any questions at 850/425-2313.

Very truly yours,

*Richard D. Melson*

Richard D. Melson

RDM/jlm

Enclosures

cc: Certificate of Service

RECEIVED & FILED

*Mason*  
FPSC-BUREAU OF RECORDS

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a copy of the foregoing was served by U.S. Mail or Hand Delivery (\*) on the following this 21st day of October, 2002.

Mary Anne Helton \*  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399

*Ries D. Mc*

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Attorney

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Approval of Tariff )  
Modifications to Implement a Pilot Flat Rate )  
Billing Program for NUI City Gas )  
Company of Florida )

Docket No. 021065 -GU

Filed: October 21, 2002

PETITION FOR APPROVAL OF TARIFF MODIFICATION AND  
RULE WAIVERS TO IMPLEMENT PILOT FLAT RATE BILLING  
PROGRAM FOR NUI CITY GAS COMPANY OF FLORIDA

City Gas Company of Florida, a division of NUI Utilities, Inc. ("NUI City Gas" or "the Company") petitions for approval of a tariff modification and approval of a rule waiver to implement a pilot Flat Rate Billing program for residential customers in its Miami Division, which encompasses Miami-Dade and Broward Counties. In support, the Company states:

**Background**

1. NUI City Gas is a division of NUI Utilities, Inc., a New Jersey corporation whose principal offices are located at Route 202-206, Bedminster, New Jersey. NUI City Gas operates natural gas distribution systems in Florida and is a "public utility" subject to the regulatory jurisdiction of the Florida Public Service Commission under Chapter 366, Florida Statutes.

2. The representatives of the Company to receive notices and pleadings in this docket are:

Richard D. Melson  
Gary V. Perko  
Hopping Green & Sams, P.A.  
P.O. Box 6526  
Tallahassee, FL 32314

Gloria L. Lopez  
Director, Regulatory & Business Affairs  
NUI City Gas Company of Florida  
955 East 25<sup>th</sup> Street  
Hialeah, Florida 33013-3498

DOCUMENT NUMBER 021065

11412 OCT 21 02

FPSC-COMMISSION CLERK

3. By this petition, NUI City Gas seeks approval of tariff modifications that would enable the Company to implement a pilot flat rate billing ("FRB") program for virtually all of its residential customers in the Miami Division (Miami-Dade and Broward Counties). A copy of the proposed tariff pages is attached as Exhibit A. Additionally, pursuant to Section 120.542, Florida Statutes, the Company requests a variance or waiver from Rules 25-7.084 and 25-7.085, Florida Administrative Code (F.A.C.), to the extent those rules require monthly meter readings and require the Company to provide detailed billing information which is not applicable in a flat rate bill environment.

4. Typically, when parties seek approval of tariff modifications, testimony is not filed unless the issues arising from the requested tariff modification have been set for hearing. However, in an effort to facilitate the Commission's review of this Petition, NUI City Gas is submitting this Petition with the pre-filed testimony of three witnesses. By submitting pre-filed testimony at this point, the Company does not imply that it believes a hearing is necessary. Furthermore, the Company reserves the right to submit additional testimony if the matter is set for hearing.

#### **The Proposed Pilot FRB Program**

5. NUI City Gas is proposing the pilot FRB program to improve the Company's ability to earn its allowed rate of return and to provide a more appropriate price signal to its Miami Division residential customers. As indicated in the July 2002 surveillance report, the Company's rate of return was 6.37% as compared to its allowed rate of 7.53%. This reflects a revenue deficiency of \$2.2 million. The Company recognizes that it operates in a very competitive environment in the residential and small commercial sectors, where natural gas competes with electricity, as well as propane. For that reason, the Company

continues to explore ways to earn its allowed rate of return without requesting an increase in base rates and thereby putting the Company at risk of becoming even less competitive. The proposed pilot FRB program would serve this goal by reducing the Company's costs and encouraging low usage customers to make economically efficient energy choices.

6. Under the pilot FRB program, the Company would present virtually every residential customer within the Miami Division an identical monthly bill, month after month, until the FRB rate is adjusted in conjunction with the annual PGA proceeding. The program would be mandatory for all residential customers who consume up to 600 therms of natural gas per year. This eligibility level is designed to ensure that the flat rate is fairly apportioned. It would discourage inefficient gas usage, such as running a pool heater 24 hours a day year round, while at the same time encouraging low usage customers to increase their gas usage in an economically beneficial manner.

7. The pilot FRB Program is ideally suited for the Miami Division. Due to the warm weather in the area, Miami residential customers generally do not use natural gas for heating. As a result, residential natural gas consumption is relatively low and fluctuates very little from month-to-month. Moreover, the revenues produced by these low volume residential customers do not cover the costs of providing them service. Based on these usage patterns, a flat rate bill for the Miami Division residential customers would not jeopardize any essential heating load and would provide a proper price signal to encourage customers to make economically efficient energy choices. In contrast, in the Company's northern-most service area in Brevard County, the weather is significantly colder in the winter and a significant percentage of customers have heat load. This makes the consumption among the residential customers sufficiently different so that a flat

rate bill in this area would involve fairness issues that are not present in the Miami Division.

8. The initial monthly rate was derived by multiplying projected annual per therm usage of eligible Miami Division customers by the volumetric rates approved by the Commission in Order No. PSC-01-0316-PAA-GU and the projected cost recovery factors for 2003, and adding the monthly service charge. The flat rate would be adjusted annually to ensure that the Company receives the same amount of total revenues under the pilot FRB program as it would under the existing rate structure for the same level of natural gas usage.

9. Although the pilot FRB program is designed to be revenue neutral, it will allow NUI City Gas the opportunity to reduce costs and thereby increase the Company's rate of return on investment. By simplifying the billing process, the program is expected to reduce billing-related customer calls and thereby reduce the Company's billing support costs. Additionally, less frequent meter readings would be required. Total quantified potential savings are estimated at \$500,000 per year, as compared to one-time implementation costs of \$148,000.

10. In the long-term, the Company also should benefit from the opportunity to increase sales of natural gas, which will enable the Company to spread fixed costs over a greater amount of usage to the benefit of all ratepayers in the City Gas system. This should occur as customers become familiar with the flat rate and add appliances to take maximum advantage that rate. For example, the addition of a gas water heater to an account with only a range or a gas dryer will now make economic sense for previously low volume users. Currently, it does not make economic sense for low volume gas customers

to pay a service charge to both NUI City Gas and the local electric utility because it is more expensive than using only electricity. Flat rate billing, however, should provide the economic incentive for customers to add gas appliances, which has the potential to reduce the Company's rate of attrition.

11. Customers will benefit from the pilot FRB program in several ways. First, the rate structure would be more fair, since higher usage customers would no longer be called on to subsidize primarily higher income, low usage customers. Second, flat rate billing will provide a clear price signal that should encourage customers to make better, more efficient energy choices. Customers will be encouraged to add efficient gas appliances to take maximum advantage of the flat rate. Any increase in usage will not affect their utility costs until the flat rate is adjusted at the beginning of the next calendar year. Third, the customer's bill would be significantly simplified. The bill will simply show a flat amount, with no meter read index, no BTU factor, no PGA factor, no rates per therm, and no other information that would be unnecessary in flat rate environment. Taxes, of course, would be separately stated. Fourth, a customer would not have to be home to unlock the gate or to bring the dogs inside for meter reads, except for once per year. Finally, the customers will benefit by not having to question their bill each month, since each month the bill will be for the same amount. Fewer disputes means the customer will require fewer calls to the call center and fewer bill investigations by the Company's field staff; providing the potential for further cost savings which benefit the entire body of City Gas ratepayers by deferring rate increases.

12. In focus group studies conducted by a professional market research firm, the overwhelming majority of participating NUI City Gas customers responded favorably to the

FRB proposal. Before initiating FRB, the Company will conduct a customer awareness program to educate eligible customers about the flat rate bill and how they can maximize the benefits of the program by adding new appliances.

13. City Gas proposes to implement the FRB program on a pilot basis for 24 months beginning with the May 2003 billing cycle. In that regard, Section 366.075, Florida Statutes, specifically authorizes the Commission to approve experimental rates to encourage energy conservation or to encourage efficiency. For the reasons discussed above, the proposed FRB program would further these statutory goals by encouraging City Gas' Miami Division customers to make economically efficient energy decisions and greatly simplifying the billing process. The proposed 24-month time frame would enable Commission and the Company to evaluate the effectiveness of the FRB program in achieving the goals outlined above. The 24-month period is also required for at least one true-up cycle to work itself through the rates.

#### **Reasons for Rule Waiver**

14. By Order No. PSC-97-1534-FOF-GU, the Commission previously granted City Gas a variance from Rule 25-7.084, F.A.C., to allow the Company to conduct bi-monthly rather than monthly meter readings. With the pilot FRB program, six meter readings will not be required because the flat rate will be based on the average annual usage of all eligible customers. The purpose of the underlying statute can be achieved by requiring one meter reading per year to monitor the annual throughput for each customer and re-qualify the customer for eligibility under the FRB plan for the following year. If NUI City Gas were required to continue meter reading on a bi-monthly basis, approximately \$270,000 of the potential costs savings associated with the FRB program would be



eliminated. For this reason, Rule 25-7.084, F.A.C., would cause substantial hardship and would violate principles of fairness if applied to customers in the pilot FRB program.

15. Similarly, the detailed billing information required under Rule 25-7.085 is not applicable to the flat rate billing environment. One of the key features of the pilot FRB program is use of a simplified bill that is expected to reduce customer confusion and billing-related disputes. Because customers will be billed the same amount month after month based on projected average annual usage of all eligible customers, the detailed information required under Rule 25-7.085, F.A.C., such as therms and cubic feet consumed, is unnecessary. Accordingly, the requirements of Rule 25-7.085, F.A.C., would cause substantial hardship and would violate principles of fairness if applied to customers in the pilot FRB program.

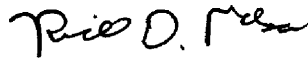
#### **RELIEF REQUESTED**

WHEREFORE, NUI City Gas respectfully requests that the Commission:

- (1) approve the revised Tariff Sheets attached as Exhibit A hereto, to enable NUI City Gas to implement a pilot FRB program for its Miami division for 24-months beginning with the May 2003 billing cycle;
- (2) approve the initial FRB monthly rate and annual adjustment mechanism described in the pre-filed testimony of Mr. Thomas Kaufmann;
- (3) grant NUI City Gas a waiver of Rules 25-7.084 and 25-7.085, Florida Administrative Code, to the extent those rules require monthly meter readings and require the Company to provide detailed billing information which is not applicable in a FRB environment; and
- (4) grant such other relief as the Commission deems appropriate.

RESPECTFULLY SUBMITTED this 21st day of October, 2002.

HOPPING GREEN & SAMS, P.A.


By:   
\_\_\_\_\_  
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Gary V. Perko  
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Tallahassee, FL 32314  
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E-mail: [rmelson@hgss.com](mailto:rmelson@hgss.com)  
[gperko@hgss.com](mailto:gperko@hgss.com)

Attorneys for NUI City Gas Company of Florida

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a copy of the foregoing was served by U.S. Mail or Hand  
Delivery (\*) on the following this 21st day of October, 2002.

Mary Anne Helton \*  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399

  
\_\_\_\_\_  
Attorney

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Issued by: Victor A. Fortkiewicz  
Vice President

Effective:

RATE SCHEDULE RS  
Residential Service

Availability

Throughout the service area of the Company, except for those customers eligible for service under Rate Schedule Residential Service – Flat Rate Billing.

Applicability

Applies to all gas delivered for domestic purposes, to any customer for use in single family dwellings, in separately metered housing units, or for use in commonly owned areas of condominium associations, cooperative apartments, and homeowner associations as residential service.

Character of Service

Natural gas, or its equivalent, with heating value on the order of 1,100 British Thermal Units per cubic foot.

Monthly Rate

Customer Charge:	\$7.50
Energy Charge:	\$0.49367 per therm

Minimum Bill

The minimum monthly bill shall be the customer charge.

Terms of Payment

Bills are net and due upon receipt by the Customer and become delinquent if unpaid after expiration of twenty days from date of mailing.

Adjustments

See Billing Adjustments, Sheet Nos. 24-27.

Special Terms and Conditions of Service

Application of this rate is subject to the Rules and Regulations of the Company as they may be in effect from time to time and as filed with the regulatory authorities. Under no conditions will service be rendered under any agreement whereby the customer or his tenants resell the gas either within or without his premises, nor under conditions by which gas is transmitted outside the premises under contract.

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Issued by: Victor A. Fortkiewicz  
Vice President

Effective:

RATE SCHEDULE RS-FRB  
Residential Service - Flat Rate Billing

Availability

Residential customers served in the Miami Division service territory consisting of Miami-Dade and Broward Counties, except those customers whose annualized consumption exceeds 600 therms will be served under the RS Rate Schedule effective the month after the disqualifying meter read is obtained.

Applicability

Applies to all gas delivered for domestic purposes, to any customer for use in single family dwellings, in separately metered housing units, or for use in commonly owned areas of condominium associations, cooperative apartments, and homeowner associations as residential service.

Character of Service

Natural gas, or its equivalent, with heating value on the order of 1,100 British Thermal Units per cubic foot.

Monthly Rate

Customer Charge:                 \$26.55

Minimum Bill

The minimum monthly bill shall be the customer charge.

Terms of Payment

Bills are net and due upon receipt by the Customer and become delinquent if unpaid after expiration of twenty days from date of mailing.

Adjustments

Billing Adjustments on Sheet Nos. 24-27 are included in the customer charge.

Special Terms and Conditions of Service

Application of this rate is subject to the Rules and Regulations of the Company as they may be in effect from time to time and as filed with the regulatory authorities, except that meter readings will be performed once per year. Under no conditions will service be rendered under any agreement whereby the customer or his tenants resell the gas either within or without his premises, nor under conditions by which gas is transmitted outside the premises under contract.

---

Issued by:     Victor A. Fortkiewicz  
                  Vice President

Effective:

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Issued by: Victor A. Fortkiewicz  
Vice President

Effective:

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Residential Service

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Character of Service

Natural gas, or its equivalent, with heating value on the order of 1,100 British Thermal Units per cubic foot.

Monthly Rate

Customer Charge:	\$7.50
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Special Terms and Conditions of Service

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---

Issued by: Victor A. Fortkiewicz  
Vice President

Effective:

RATE SCHEDULE RS-FRB  
Residential Service - Flat Rate Billing

Availability

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Issued by:           Victor A. Fortkiewicz  
                          Vice President

Effective:

Exhibit A  
(Red-Lined)