

State of Florida



Public Service Commission

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

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

DATE: August 1, 2013

TO: Office of Commission Clerk (Cole)

FROM: Division of Economics (Garl, Draper) *Y*
Division of Engineering (Jopling, Watts) *EJM*
Office of the General Counsel (M. Brown) *J.W.P.*
mcg *Next for JCB*

RE: Docket No. 130147-GU – Request for approval of tariff modifications applicable to natural gas vehicles and fueling facilities, by Florida City Gas.

AGENDA: 08/13/13 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 8-Month Effective Date: January 22, 2014

SPECIAL INSTRUCTIONS: Please place this item immediately after Docket No. 130135-GU

FILE NAME AND LOCATION: S:\PSC\ECO\WP\130147.RCM.DOC

Case Background

On May 22, 2013, Florida City Gas (City Gas or company) filed a petition for approval of tariff revisions regarding its Natural Gas Vehicle Service (NGV) tariff. Specifically, City Gas proposed to close its current NGV tariff to new customers, with new customers being able to take service under the newly proposed NGV-II tariff. The Commission approved City Gas' NGV tariff in Order No. PSC-94-1570-FOF-GU.¹ The NGV tariff applies to customers buying natural gas for the purpose of compression and delivery into motor vehicle fuel tanks.

¹ See Order No. PSC-94-1570-FOF-GU, issued December 19, 1994, in Docket No. 940276-GU, In re: Application for a rate increase by City Gas Company of Florida.

In Order No. 25626² the Commission also approved Peoples Gas System, Inc.'s (Peoples Gas) program for the use of compressed natural gas (CNG) in motor vehicles. The program was designed to assist fleet operators and filling station operators in obtaining compressor units to encourage the development of a compressed natural gas infrastructure. To date, these are the only two utilities with an NGV tariff, but Florida Public Utilities Company, Florida Public Utilities Company – Indiantown Division, and Chesapeake Utilities have now also filed a petition for approval of a Commercial NGV program in Docket No. 130135-PU.

Since Peoples Gas' program was approved, there has been a dramatic expansion of access to natural gas reserves in the U.S. due largely to new drilling technology. The increased supply of natural gas has resulted in equally dramatic reduction in natural gas prices. The U.S. Energy Information Agency reported that over 95 percent of the natural gas used in March 2013 was from domestic sources. Prices have also dropped over the past 10 years from a high of \$13.422 per mmBTU in October 2005 to the April 2013 price of \$4.166 per mmBTU at the Henry Hub distribution center.³

The Florida Legislature has taken action in recent years to encourage the use of natural gas as a motor fuel. During the 2012 Florida Legislative Session, changes to Section 334.044, Florida Statutes (F.S.), were passed which encourage the use of natural gas motor fuels to reduce transportation costs for businesses and residents within the state.⁴ The passage of the Natural Gas Motor Fuel bill in the 2013 Session provides significant tax benefits and incentives for use of natural gas as a motor fuel.⁵ The Commission has jurisdiction in this matter pursuant to Chapter 366, F.S.

² See Order No. 25626, issued January 22, 1992, in Docket No. 910942-EG, in re: Petition for approval of its natural gas vehicle program of People's Gas System, Inc.

³ http://www.eia.gov/oil_gas/natural_gas/data_publications/natural_gas_monthly/ngm.html, Table 1, May 2013

⁴ Section 334.044(33)(a)(4), F.S.

⁵ Chapter 2013-198, Laws of Florida

Discussion of Issues

Issue 1: Should the Commission approve City Gas' petition to revise its tariffs applicable to NGV service?

Recommendation: Yes, the Commission should approve City Gas' petition to revise its tariffs applicable to NGV service. City Gas' proposed NGV programs and tariffs are reasonable and will allow City Gas to recover its cost of providing NGV service. The current NGV tariff should be closed to new customers effective August 13, 2013. New NGV customers would take service under the new NGV-II tariff. (Garl, Draper)

Staff Analysis: City Gas proposed to close its current NGV tariff to new customers. Existing NGV customers would be grandfathered until the next rate case. City Gas stated that one customer currently takes service under the NGV tariff. Any new NGV customers would take service under the proposed NGV-II tariff and will be required to sign a standard agreement. FCG also proposed to rename its existing NGV tariff NGV-I.

The current NGV tariff contains a customer charge of \$15.00 and a \$0.23232 per therm distribution charge applicable to NGV service. Under the proposed NGV-II tariff, customers would be billed under the otherwise applicable General Service (GS) rate schedule, based on the customer's annual therm usage. City Gas' tariff contains 11 volume-based GS rate schedules with customer charges ranging from \$8.00 to \$500.00 and distribution charges from \$0.56213 to \$0.12225. The three highest volume GS rate schedules also contain a demand charge of \$0.289 per Demand Charge Quantity.

In addition to the change in NGV pricing, the NGV-II tariff provides three facility options to provide for great customer choice while allowing City Gas to recover its cost to provide these options. The three options are discussed below.

Company provided facilities on customer premises. Under this option, City Gas provides and maintains the necessary company-owned facilities at the customer's premise for compression and dispensing natural gas to vehicles. The customer will be responsible for the actual compression and dispensing of CNG. These facilities may include residential fueling stations.

In addition to the otherwise applicable GS charges, customers choosing this option will pay a monthly facilities charge to allow City Gas to recover the cost associated with the facilities provided. The facilities may include piping, metering, compressors, or dispensers. The monthly facilities charge is 1.6 percent multiplied by City Gas' gross investment in facilities required to serve the customer. This charge would be adjusted if the customer provides a contribution in aid of construction. The monthly facilities charge assures recovery of City Gas' equipment investment (return, depreciation, income and property taxes, and operations & maintenance costs). The customers' significant investment in purchasing or converting vehicles to use natural gas provides assurance the customer will continue to be served by City Gas for a period sufficient for City Gas to recover its investment in the facilities

Limited access facilities on company premises. This option addresses the situation where a customer wishes to contract with City Gas to locate a NGV compression and fueling station on City Gas property. City Gas provides, maintains, and operates the facilities. The customer would pay a monthly facility charge (1.6 percent multiplied by City Gas' gross investment in facilities required to serve the customer) and a compressed gas dispensing fee (dispensing fee). The dispensing fee is designed to recover all costs related to dispensing CNG into a vehicle and will be pro-rated among the fleet providers using the limited access station. Such costs include the cost of electricity used for compression, attendants and security, if any, and billing and transaction fees. The dispensing fee will be stated in the standard agreement. Access to the NGV station would be limited to customers who have contracted with City Gas to use the station. The station would be in a fenced-in area.

Publicly accessible facilities on City Gas premises. This option is designed to allow City Gas to provide publicly accessible facilities on its premises. Service to the general public would fall under this option. Customers under this option will not be billed under the otherwise applicable GS rate. Customers instead will pay a \$0.50 per therm distribution and dispensing fee and the cost of gas. The \$0.50 fee was developed to recover the estimated cost of providing the CNG to a vehicle in a public station. The cost of gas would be determined by City Gas based on the market rate; however, in no instance would the cost of the gas be set lower than the monthly Purchased Gas Price (PGA) factor. Any difference between the \$0.50 fee and the market based cost of gas will be accounted for in the annual PGA amount, to the benefit of the general body of ratepayers. City Gas explained that it currently has no such facilities planned, and would only provide such option to the public if the company has an anchor tenant, such as the company's own fleet.

Finally, due to the quickly developing NGV market, City Gas recognizes it may have to respond to competitive situations. The company included a tariff provision that would allow City Gas to enter into a special contract with a government agency or commercial customer that has volumes greater than 250,000 therms per year as a response to such situations. The special contract would include negotiated rates and charges set above incremental cost. Any such contract would be subject to prior Commission approval.

Conclusion. City Gas' proposed NGV programs and tariffs are reasonable and will allow City Gas to recover its cost of providing NGV service. Staff recommends that the Commission approve the proposed programs and associated tariffs. The current NGV tariff should be closed to new -customers effective August 13, 2013. New NGV customers would take service under the new NGV-II tariff.

Docket No. 130147-GU
Date: August 1, 2013

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, the tariffs should become effective on August 13, 2013. If a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues 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. (M. Brown)

Staff Analysis: Yes. If Issue 1 is approved, the tariffs should become effective on August 13, 2013. If a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues 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.