

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for approval of tariff
modifications related to natural gas vehicles
and fueling facilities by People's Gas System.

DOCKET NO. 130197-GU
ORDER NO. PSC-13-0446-PAA-GU
ISSUED: October 1, 2013

The following Commissioners participated in the disposition of this matter:

RONALD A. BRISÉ, Chairman
LISA POLAK EDGAR
ART GRAHAM
EDUARDO E. BALBIS
JULIE I. BROWN

PROPOSED AGENCY ACTION ORDER APPROVING
MODIFICATIONS TO NATURAL GAS VEHICLE SERVICE TARIFF

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

CASE BACKGROUND

On July 26, 2013, Peoples Gas System (Peoples) filed a petition for approval of tariff revisions regarding its Natural Gas Vehicle Service (NGVS) tariff. Specifically, Peoples proposed to close its current NGVS tariff to new customers, with new customers being able to take service under the newly proposed NGVS-2 tariff. The NGVS-2 tariff applies to customers buying natural gas for the purpose of compression and delivery into motor vehicle fuel tanks.

In Order No. 25626, we approved Peoples' original program for the use of compressed natural gas (CNG) in motor vehicles.¹ 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.

Since Peoples' NGV program was originally approved, there has been a dramatic expansion of access to natural gas reserves in the U.S. largely due to new drilling technology. The increased supply of natural gas has resulted in an equally dramatic reduction in natural gas

¹ 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.

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 \$4.166 per mmBTU in April 2013, at the Henry Hub distribution center.²

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, the Legislature passed changes to Section 334.044, Florida Statutes (F.S.), to encourage the use of natural gas motor fuels to reduce transportation costs for businesses and residents within the state.³ The passage of the Natural Gas Motor Fuel bill during the 2013 Session provides significant tax benefits and incentives for use of natural gas as a motor fuel.⁴

Finally, in August 2013, we approved three new NGV tariffs for Florida Public Utilities Company, Florida Public Utilities Company – Indiantown Division, and Chesapeake Utilities,⁵ and one revised NGV tariff for Florida City Gas.⁶

We have jurisdiction in this matter pursuant to Chapter 366, Florida Statutes.

ANALYSIS

The expansion of access to natural gas reserves and the decline in natural gas prices in recent years has increased interest in natural gas as a commercial vehicle fuel. As a result, natural gas companies, such as Peoples, have determined that revisions to their tariffs will better facilitate service for customers that wish to obtain natural gas as a vehicle fuel. Peoples, therefore, developed tariff provisions with the expectation that the proposed rate schedules will facilitate acceptance of natural gas as a viable alternative motor fuel within its respective service area and be competitive with traditional motor fuels.

Peoples proposes to close its current NGVS tariff to new customers. Existing NGV customers would be grandfathered until Peoples next rate case. Currently, Peoples has nineteen (19) customers that take service for natural gas vehicles using their own compression and dispensing equipment. Only five (5) of the customers, however, use the NGVS tariff, while the other fourteen (14) customers are charged under the appropriate volume-based General Service (GS) rate schedule at a lower cost to the customer. New Peoples' NGV customers would take service under the proposed NGVS-2 tariff and would be required to sign a standard agreement. In addition, Peoples proposes to rename its existing NGVS tariff as NGVS-1.

² http://www.eia.gov/oil_gas/natural_gas/data_publications/natural_gas_monthly/ngm.html, Table 1, May 2013

³ Section 334.044(33)(a)(4), F.S.

⁴ Chapter 2013-198, Laws of Florida

⁵ See, Order No. PSC-13-0395-PAA-GU, issued August 28, 2013, in Docket No. 130135-GU, In re: Joint petition of Florida Public Utilities Company, Florida Public Utilities-Indiantown Division and the Florida Division of Chesapeake Utilities Corporation for approval of Commercial Natural Gas Service Programs.

⁶ See, Order No. PSC-13-0398-TRF-GU, issued August 29, 2013, in Docket No. 130147-GU, In re: Request for approval of tariff modifications applicable to natural gas vehicles and fueling facilities, by Florida City Gas.

Peoples current NGVS tariff contains a customer charge of \$45.00 and a \$0.18392 per therm distribution charge applicable to NGV service. Under the proposed NGVS-2 tariff, customers would be billed under the otherwise applicable Residential Service (RS), Small General Service (SGS), or General Service (GS-1 through GS-5) rate schedule, based on the customer's annual therm usage. Peoples' RS tariff contains 3 volume-based levels of service with customer charges varying from \$12 to \$20 per month and a distribution charge of \$0.26782 per therm for all RS levels of service. Peoples' 6 volume-based GS rate schedules include customer charges ranging from \$25.00 to \$300.00 and distribution charges from \$0.33894 to \$0.11321.

In addition to the change in NGV pricing, the NGVS-2 tariff provides three (3) facility options to provide for customer choice while allowing Peoples to recover its cost to provide these options. The three options are discussed below.

1. Company-provided facilities on customer's premises.

Under this option, Peoples will provide and maintain the necessary company-owned equipment 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, so there would be no dispensing fee. These facilities may include residential fueling stations.

In addition to the otherwise applicable RS or GS charges, customers choosing this option will pay a monthly facilities charge to allow Peoples 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 Peoples' 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 Peoples' 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 Peoples for a period sufficient for Peoples to recover its investment in the facilities

2. Limited access facilities located on Company premises.

This option addresses the situation where one or more customers wish to contract with Peoples to locate a NGV compression and fueling station on Peoples' property. Peoples will provide, maintain, and operate the facilities. In addition to the otherwise applicable RS or GS charges, the customer would pay a monthly facility charge (1.6 percent multiplied by Peoples' gross investment in facilities required to serve the customer) and a compressed gas 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 Peoples to use the station.

3. Publicly accessible facilities located on Company premises.

This option is designed to allow Peoples 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 RS or 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 Peoples 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.

Special Contracts.

Finally, due to the quickly developing NGV market, Peoples recognizes it may have to respond to competitive situations. The company included a tariff provision that would allow Peoples to enter into a special contract with a government agency or commercial customer that has volumes greater than 100,000 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.

DECISION

We find that Peoples' proposed NGV programs and tariffs are reasonable and will allow Peoples to recover its cost of providing NGV service. Peoples' current NGVS tariff shall be closed to new customers effective September 25, 2013, and renamed NGVS-1, with new NGV customers taking service under Peoples' new NGVS-2 tariff. In addition, we find Peoples' special contract tariff provision reasonable.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Peoples Gas System proposed NGV programs and tariffs are hereby approved. It is further

ORDERED that Peoples' NGVS-1 and NGVS-2 tariffs shall become effective September 25, 2013. It is further

ORDERED that Peoples' current NGVS tariff be renamed NGVS-1 and shall be closed to new customers effective September 25, 2013, with new customers taking service under Peoples' NGVS-2 tariff. It is further

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

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed by the issuance of a consummating order.

By ORDER of the Florida Public Service Commission this 1st day of October, 2013.



ANN COLE
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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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 or judicial review of Commission orders that is available under Sections 120.57 or 120.68, 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 or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request:

- 1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or
- 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Office of Commission Clerk, and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.