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IN REPLY REFER TO:

Ansley Watson, Jr.
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October 9, 2015

VIA E-PORTAL/ELECTRONIC FILING

Ms. Carlotta S. Stauffer
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Petition for approval of tariff modifications related to the Swing Service Charge, by Peoples Gas System

Dear Ms. Stauffer:

Attached for electronic filing with the Commission on behalf of Peoples Gas System, please find Peoples' petition referenced above. Attached also is Fourth Revised Sheet No. 7.101-3 to Peoples' Natural Gas Tariff, Original Volume No. 3, for which the Company's petition seeks the Commission's approval. A coded (legislative style) version of the revised sheet required by Rule 25-9.005, *F.A.C.*, is attached to the petition as Exhibit B.

Please note that this tariff filing is not being made pursuant to the file-and-suspend provisions of Section 366.06(3), *Florida Statutes*, in order to permit the Commission Staff sufficient time to address the filing. Peoples hereby waives the 60-day requirement set forth in the statute for the handling of this petition and tariff filing.

We appreciate your usual assistance.

Sincerely,


Ansley Watson, Jr.

AWjr/a
Attachments

Carlotta S. Stauffer, Commission Clerk
October 9, 2015
Page 2

cc: Office of Public Counsel
Ms. Kandi M. Floyd

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of tariff)
modifications related to the Swing)
Service Charge, by Peoples Gas)
System.)
_____)

Docket No.

Submitted for Filing:
10-9-15

**PETITION OF PEOPLES GAS SYSTEM
FOR APPROVAL OF TARIFF MODIFICATIONS**

Peoples Gas System ("Peoples", "Petitioner" or the "Company"), by its undersigned attorneys, files this petition for approval of modifications to its Natural Gas Tariff, Original Volume No. 3, relating to its Swing Service Charge, submits herewith a revised tariff sheet to become effective the date of the Commission's vote, and in support of its petition states:

1. The name, address and telephone number of the Petitioner are:

Peoples Gas System
P. O. Box 111
Tampa, Florida 33601-0111
(813) 228-4111

2. The names and mailing addresses of the persons to whom notices, orders and correspondence regarding this petition are to be sent are:

Ansley Watson, Jr.
Andrew M. Brown
Ashley R. Kellgren
Macfarlane Ferguson & McMullen
P. O. Box 1531
Tampa, Florida 33601-1531

Ms. Paula K. Brown
Regulatory Affairs
Peoples Gas System
P. O. Box 111
Tampa, Florida 33601-0111

Ms. Kandi M. Floyd
Manager – State Regulatory
Peoples Gas System
P. O. Box 111
Tampa, Florida 33601-0111

3. Peoples is a natural gas local distribution company ("LDC") providing sales and transportation delivery of natural gas throughout most of the State of Florida, and is a public utility subject to the Commission's regulatory jurisdiction under Chapter 366, *Florida Statutes*.

4. By this petition, Peoples seeks the Commission's approval for modifications to the Swing Service Charge applicable to Rider NCTS (Natural Choice Transportation Service) customers. Introduced in July 2000, Peoples' Natural Choice Transportation program has grown from 3,398 customers in October 2000 to 22,123 customers as of December 2014. Under the very successful program, a monthly release of interstate pipeline capacity is made by Peoples to a pool manager at Peoples' weighted average cost of capacity ("WACOC"). The pool manager is required to deliver the exact amount of gas required by the customers in its pool every day of the month, with an opportunity to adjust the released quantity around the 20th of the month to align any monthly imbalance. The Swing Service Charge was first approved 15 years ago when Peoples filed numerous tariff changes to make transportation service available to all non-residential customers after the Commission adopted Rule 25-7.0335, *Florida Administrative Code*, which required all Florida LDCs to make such service available.

BACKGROUND

5. The Swing Service Charge is assessed to all firm customers when they use Peoples' transportation service 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 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 upstream pipeline capacity nominated for delivery to the Peoples system. Peoples is required to manage the customer swing with operational purchases or sales (the difference in amount of consumed gas versus gas delivered on a daily basis). This “swing” adds cost to the purchased gas adjustment (“PGA”) paid by Peoples’ non-transport customers. A portion of this additional cost is allocated to the NCTS customers via the Swing Service Charge mechanism. The Swing Service Charge is designed to recover the estimated costs incurred by the Company to provide this swing service. The revenues derived from the Swing Service Charge are then credited to the PGA.

6. As indicated above, an LDC’s balancing of its system is a daily operation. Daily measurement data is not available to the Company for the customers that participate in Rider NCTS. (Collection of such data is impractical and currently cost prohibitive.) Therefore, Peoples has developed a method to estimate the system-wide costs for providing swing service for purposes of allocating those costs among the rate classes based on the monthly throughput of the system and the throughput of each customer class.

7. Peoples’ methodology for determining the level of the Swing Service Charge is as follows, and is consistent with the methodology used by the Company when the charge was approved by the Commission’s Order No. PSC-00-1814-TRF-GU, issued on October 4, 2000, in Docket No. 000810-GU. First, the system balancing cost is estimated on a system-wide basis. Costs are estimated based on six primary tools used by the Company to balance its system. These tools are (1) reserve capacity, (2) swing gas supply, (3) No-Notice Transportation Service, (4) storage contracts, (5) swing sale agreements, and (6) upstream pipeline park and loan services.

(a) Reserve Capacity

Reserve capacity is interstate and intrastate pipeline capacity contracted to be available when Customer usage increases. The cost for reserve capacity is derived by first identifying the “swing capacity quantity” of the system. This quantity is the difference between the peak month throughput by rate class for firm customers and the minimum monthly throughput by rate class. Consistent with the methodology Peoples used in Docket No. 000810-GU, this quantity is one-half of the total variation in monthly throughput for the system. The swing capacity quantity determined is then multiplied by the annual weighted average cost of upstream pipeline capacity contracted by Peoples for the system, consistent with the methodology approved in Docket No. 000810-GU.

(b) Swing Gas Supply

Swing gas supply is a supply quantity that is typically purchased on the spot (daily) market at varying levels of quantity and price. Swing gas is typically higher priced than a comparable quantity of gas delivered at a constant level (called base load gas). To absorb the daily imbalances of firm customers, Peoples must utilize a greater percentage of swing gas supply, and a lower percentage of base load gas, and thus incurs additional costs for gas supplies (a swing gas supply “premium”). The cost for this premium is calculated based on a 30-day rolling average of Platt’s Gas Daily Florida Zone 3 prices for the year. The calculated price is then multiplied by the average of the difference between the swing quantities for the peak month and the swing quantities for lowest throughput month, and then multiplied by 12 months.

(c) No-Notice Transportation Service

The third tool used for swing service is No-Notice Transportation Service (“NNTS”). NNTS, which is purchased from interstate pipelines at tariff rates, allows “errors” in the system-wide balancing to be absorbed by the interstate pipeline. The NNTS allows the system to avoid imbalance penalties within a contracted range. The cost is calculated by multiplying the contracted quantity by the upstream pipeline’s tariff rate.

(d) Storage Contracts

Storage contracts are another tool that allows the utility to schedule gas in or out of a storage facility to efficiently manage supply constraints, demand reductions, and price volatility. The cost is calculated by multiplying the contracted quantity by the contracted rate.

(e) Swing Sale Agreements

Swing sale agreements are agreements with large industrial interruptible customers that have the proven ability to utilize alternative fuel. Peoples’ Swing Sale Agreements require these customers to sell their gas supply to Peoples at the city gate and switch to the customer’s alternative fuel source with notice from Peoples.

(f) Park and Loan Services

Park and Loan service is an interruptible service which gives Peoples the flexibility of putting gas in an upstream pipeline’s system for later use (“park”) or borrowing gas from an upstream pipeline’s system and paying back the volume at a later date (“loan”). Peoples utilizes these services in anticipation of periods of high or low demand on its distribution system, as the case may be.

8. All six tools described above are used to balance Peoples' system on a daily basis by varying or "swinging" the nominated system supply gas. In addition, despite the availability of these tools, there are times when the system may incur upstream pipeline penalties due to the level of imbalance. Typically, the tools prevent Peoples from incurring pipeline penalties; however, in the event upstream pipeline penalty provisions should change, Peoples will include costs associated with the changes in future filings related to the Company's Swing Service Charge.

9. Once the system-wide balancing cost has been determined, it is allocated among the rate classes according to the relative variation in monthly consumption for each rate class. Allocation among rate classes is based on the magnitude of the difference between each rate class's maximum monthly consumption and its minimum monthly consumption. Once allocated, the system balancing cost assigned to each rate class is divided by the annual consumption of that class to yield the appropriate billing factor. The billing factors are then adjusted for Regulatory Assessment Fees and applied to the monthly consumption for a Customer based on the applicable rate class factor. The factors apply to a Customer's bill when the Customer participates in Rider NCTS. While a residential factor has been calculated, it will not apply if the customer is not participating in the NCTS program¹.

10. Exhibit A to this petition reflects the calculation of the Swing Service Charge and the development of the recovery factor for each rate class. Again, the charge applies only to customers who receive gas transportation service under the Company's Rider NCTS.

¹ Residential customers that use greater than 1,999 therms annually are eligible to receive service under Peoples' NCTS Rider.

RELIEF REQUESTED

11. The Swing Service Charge has not been updated in the 15 years since it was first approved by the Commission. As indicated earlier in this petition, the number of customers receiving gas transportation service under Peoples' Rider NCTS has increased dramatically during that time frame, thereby reducing the number of customers who pay the Purchased Gas Adjustment Charge. Thus, Peoples' customers who pay the PGA should no longer be responsible for these costs that are caused by the NCTS customers. Due to the growth of the NCTS program over the years, including the increased throughput on the Company's system represented by NCTS quantities, as well as current and future changes to PGS's supply and upstream capacity contracts such as (i) changes due to upstream pipeline rate and tariff changes and (ii) changes as a result of Peoples' contracting for incremental capacity from upstream pipelines, Peoples requests that the Commission approve the following changes to the Swing Service Charge structure.

12. Peoples seeks the Commission's approval for the revised Swing Service Charge factors set forth on Fourth Revised Sheet No. 7.101-3 of the Company's Natural Gas Tariff, Original Volume No. 3, a legislative version of which is attached to this petition as Exhibit B. The revised Swing Service Charge factors shown on Exhibit B (i) update the No-Notice Transportation Service charges from Florida Gas Transmission Company, LLC ("FGT"), (ii) update the costs associated with reserved upstream capacity Peoples holds to ensure enough upstream capacity to meet customer demand during peak months, which should be allocated to NCTS customers, and (iii) update the calculation of the Swing Service Charge to include an additional storage contract(s), swing sale agreements from interruptible customers, and park and loan services provided by

upstream pipelines. The inputs for the calculation of the Swing Service Charge have also obviously changed during the 15 years since the factors currently set forth in Peoples' tariff were established.²

13. The revenues derived from the Swing Service Charge, less Regulatory Assessment Fees, are credited to the Purchased Gas Adjustment Clause. These revenues will more appropriately allocate costs associated with providing the system balancing service (that the Swing Service Charge is designed to recover) to Rider NCTS customers. The billing factors for the Swing Service Charge reflected on Exhibit B are based on the best-available data and cost estimates, are a reasonable estimate of the costs incurred by rate class, and are designed to recover costs from customers who cause the Company to incur such costs.

14. Peoples further respectfully requests that the Commission consider this petition at its December 3, 2015 Agenda Conference. This expedited treatment will assist in avoiding delay in the commencement of construction of the SeaCoast and Peoples extensions³ required to enable customers in Green Cove Springs and the surrounding area in Clay County to receive the natural gas service they have been seeking for a number of years. In furtherance of this request, Peoples commits to provide responses to any data requests from the Commission Staff with respect to this

² Currently, Peoples contemplates periodic filings describing the recalculated Swing Service Charge based on changes in Peoples' throughput, upstream pipeline contracted quantities and rates, the natural gas supply market, and other variables, for purposes of updating the Swing Service Charge factors applicable to each rate class.

³ SeaCoast Gas Transmission, L.L.C., an affiliate of Peoples, will be filing a petition seeking approval of a Firm Service Agreement with Peoples contemporaneously with Peoples' filing of this petition. The Firm Service Agreement will enable Peoples to receive gas from SeaCoast to serve customers in Green Cove Springs and adjacent areas of Clay County, an area that has not heretofore had natural gas service available.

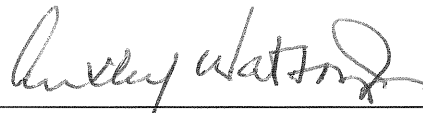
matter on an expedited basis, and to make pertinent personnel from SeaCoast and Peoples available for such informational meetings as may be requested by the Staff.

Legislative Format Tariff Sheets

15. Attached to this petition is a legislative version of Fourth Revised Sheet No. 7.101-3 (Exhibit B) on which the requested modifications in the Swing Service Charge factors appear.

WHEREFORE, Peoples respectfully requests that the Commission will consider this petition at its December 3, 2015 Agenda Conference, and enter its order permitting the revised tariff sheet submitted with this petition to become effective as of the date of the Commission's vote disposing of this petition.

Respectfully submitted,



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Attorneys for Peoples Gas System

EXHIBIT A
SWING SERVICE CHARGE MODIFICATIONS

DOCKET NO. _____
SWING SERVICE CHARGE
EXHIBIT A
FILED: OCTOBER 9, 2015

Swing Service Fee Exhibit A

	<u>Annual Expense</u>
NNTS from FGT	\$ 404,318.93
Pipeline Penalties	\$ -
Reserved Capacity	\$ 8,833,647.08
Swing Gas Premium - Commodity	\$ 2,076,968.01
Storage Contract	\$ 648,000.00
Swing Sale Agreements	\$ 660,000.00
Park and Loan Charges	\$ -
Net Expense	<u>\$ 12,622,934.02</u>

2016 Projected WACOC / Therm \$ 0.0564

Allocation

Schedule	Maximum therm usage month	Minimum therm usage month	Difference "SWING"	Percent of swing/schedule
Residential	13,550,705	3,190,172	10,356,276	39.67%
SGS	1,165,816	474,132	691,147	2.65%
GS-1	8,077,135	4,949,357	3,127,778	11.98%
GS-2	13,972,746	8,366,120	5,606,626	21.48%
GS-3	8,981,314	5,130,242	3,851,072	14.75%
GS-4	5,372,528	4,416,845	955,683	3.66%
GS-5	9,724,436	8,402,740	1,321,696	5.06%
NGV	32,897	3,273	18,200	0.07%
Lighting	55,180	46,376	8,804	0.03%
Wholesale	380,965	214,763	166,202	0.64%
			<u>26,103,484</u>	

Monthly Fee

Schedule	Annual cost	Annual therms	Per therm	Reg. Asses. Fee	Proposed Swing Charge per therm	Current swing charge rate	Net increase or decrease
Residential	\$ 5,008,013.18	80,774,857	\$ 0.0620	1.00503	\$ 0.0623	-	
SGS	\$ 334,219.92	8,649,156	\$ 0.0386	1.00503	\$ 0.0388	\$ 0.0281	\$ 0.0107
GS-1	\$ 1,512,508.29	73,135,046	\$ 0.0207	1.00503	\$ 0.0208	\$ 0.0145	\$ 0.0063
GS-2	\$ 2,711,211.65	125,285,571	\$ 0.0216	1.00503	\$ 0.0217	\$ 0.0126	\$ 0.0091
GS-3	\$ 1,862,273.43	80,117,032	\$ 0.0232	1.00503	\$ 0.0234	\$ 0.0126	\$ 0.0108
GS-4	\$ 462,142.14	59,136,368	\$ 0.0078	1.00503	\$ 0.0079	\$ 0.0126	\$ (0.0047)
GS-5	\$ 639,136.15	109,810,107	\$ 0.0058	1.00503	\$ 0.0058	\$ 0.0099	\$ (0.0041)
NGV	\$ 8,801.02	203,147	\$ 0.0433	1.00503	\$ 0.0435	\$ 0.0289	\$ 0.0146
Lighting	\$ 4,257.37	603,210	\$ 0.0071	1.00503	\$ 0.0071	\$ 0.0117	\$ (0.0046)
Wholesale	\$ 80,370.86	3,408,293	\$ 0.0236	1.00503	\$ 0.0237	-	
	<u>\$ 12,622,934.02</u>	<u>541,122,785</u>					

Billing Examples - Distribution Charges Only

Schedule	Average therms per month	Current distribution rate per therm	Proposed distribution rate per therm	Current distribution charges per average bill	Proposed distribution charges per average Bill	Increase or decrease per average monthly bill
SGS	99.32	\$ 0.4365	\$ 0.4472	\$ 43.36	\$ 44.42	\$ 1.07
GS-1	459.93	\$ 0.3212	\$ 0.3275	\$ 147.75	\$ 150.64	\$ 2.89
GS-2	1,567.77	\$ 0.2707	\$ 0.2799	\$ 424.46	\$ 438.80	\$ 14.34
GS-3	8,499.04	\$ 0.2356	\$ 0.2464	\$ 2,002.37	\$ 2,093.84	\$ 91.46
GS-4	31,392.00	\$ 0.1858	\$ 0.1810	\$ 5,832.00	\$ 5,683.02	\$ (148.98)
GS-5	76,874.25	\$ 0.1387	\$ 0.1347	\$ 10,663.23	\$ 10,351.86	\$ (311.37)
NGV	1,253.70	\$ 0.2471	\$ 0.2617	\$ 309.74	\$ 328.10	\$ 18.36
Lighting	1,619.32	\$ 0.2275	\$ 0.2229	\$ 368.44	\$ 360.98	\$ (7.46)

EXHIBIT B
PEOPLES GAS SYSTEM
SWING SERVICE CHARGE TARIFF MODIFICATIONS

Peoples Gas System FourthThird Revised Sheet No. 7.101-3
 a Division of Tampa Electric Company Cancels ThirdSecond Revised Sheet No. 7.101-3
 Original Volume No. 3

GENERAL APPLICABILITY PROVISIONS (Continued)

D. SWING SERVICE CHARGE

The Pool Manager of a Customer receiving aggregated transportation service from Company under the Natural Choice Transportation Service Rider (Rider NCTS) provides a fixed daily quantity of Gas supply and interstate pipeline transportation capacity throughout each month. The Company must increase or reduce the system's Gas supply and use of interstate pipeline capacity in an effort to balance the actual daily consumption of a Rider NCTS Customer as it differs from the fixed daily quantity of Gas being delivered by the Customer's Pool Manager during the month. The Swing Service Charge is assessed to firm Rider NCTS Customers to cover the costs incurred by the Company to maintain the above-described balance and distribution system integrity.

The bill for aggregated transportation service provided by Company to a firm Customer pursuant to Rider NCTS in any Billing Period shall be adjusted as follows:

The monthly consumption of each Rider NCTS Customer shall be multiplied by the Swing

Service Charge factors listed below, each factor being increased or decreased to the nearest \$0.0001 per therm and include the regulatory assessment tax factor of 1.00503:

<u>Rate Class</u>	<u>Recovery Factor</u>
Small General Service	\$0. 03880284 per Therm
Commercial Street Lighting	\$0. 00710117 per Therm
Natural Gas Vehicle Service	\$0. 04350289 per Therm
General Service 1	\$0. 02080145 per Therm
General Service 2	\$0. 02170126 per Therm
General Service 3	\$0. 02340126 per Therm
General Service 4	\$0. 00790126 per Therm
General Service 5	\$0. 00580099 per Therm

Revenues derived from the Swing Service Charge are credited to the Purchased Gas Adjustment Clause to the extent applicable.

GENERAL APPLICABILITY PROVISIONS (Continued)

D. SWING SERVICE CHARGE

The Pool Manager of a Customer receiving aggregated transportation service from Company under the Natural Choice Transportation Service Rider (Rider NCTS) provides a fixed daily quantity of Gas supply and interstate pipeline transportation capacity throughout each month. The Company must increase or reduce the system's Gas supply and use of interstate pipeline capacity in an effort to balance the actual daily consumption of a Rider NCTS Customer as it differs from the fixed daily quantity of Gas being delivered by the Customer's Pool Manager during the month. The Swing Service Charge is assessed to firm Rider NCTS Customers to cover the costs incurred by the Company to maintain the above-described balance and distribution system integrity.

The bill for aggregated transportation service provided by Company to a firm Customer pursuant to Rider NCTS in any Billing Period shall be adjusted as follows:

The monthly consumption of each Rider NCTS Customer shall be multiplied by the Swing

Service Charge factors listed below, each factor being increased or decreased to the nearest \$0.0001 per therm and include the regulatory assessment tax factor of 1.00503:

<u>Rate Class</u>	<u>Recovery Factor</u>
Small General Service	\$0.0388 per Therm
Commercial Street Lighting	\$0.0071 per Therm
Natural Gas Vehicle Service	\$0.0435 per Therm
General Service 1	\$0.0208 per Therm
General Service 2	\$0.0217 per Therm
General Service 3	\$0.0234 per Therm
General Service 4	\$0.0079 per Therm
General Service 5	\$0.0058 per Therm

Revenues derived from the Swing Service Charge are credited to the Purchased Gas Adjustment Clause to the extent applicable.