

MACFARLANE FERGUSON & McMULLEN

ATTORNEYS AND COUNSELORS AT LAW

ONE TAMPA CITY CENTER, SUITE 2000
201 NORTH FRANKLIN STREET
P.O. BOX 1531 (ZIP 33601)
TAMPA, FLORIDA 33602
(813) 273-4200 FAX (813) 273-4396

www.mfmlegal.com
EMAIL: info@mfmlegal.com

625 COURT STREET
P.O. BOX 1669 (ZIP 33757)
CLEARWATER, FLORIDA 33756
(727) 441-8966 FAX (727) 442-8470

IN REPLY REFER TO:

Ansley Watson, Jr.
P.O. Box 1531
Tampa, Florida 33601
e-mail: aw@macfar.com

June 22, 2016

VIA E-PORTAL FILING

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

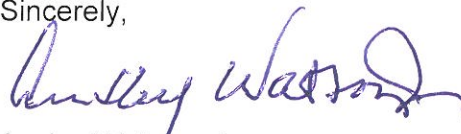
Re: Docket No. 160120-GU -- Petition for approval of tariff modifications to Rider NCTS, the Firm Delivery and Operational Balancing Agreement, and negative imbalance cash-out prices, by Peoples Gas System

Dear Ms. Stauffer:

Attached for filing with the Commission on behalf of Peoples Gas System, please find Peoples' responses to the Commission Staff's First Data Request in the above docket.

Thank you for your usual assistance.

Sincerely,



Ansley Watson, Jr.

AWjr/a
Attachment

cc: Marguerite E. Patrick, Esquire
Lukasz Cyran
Brad Nelson\
Jody Brooks, Esquire
Berdell Knowles
Lori Phelan
Danijela Janjic, Esquire
J. R. Kelly, Esquire
Danielle M. Roth, Esquire

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June 22, 2016
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Kandi M. Floyd

**PEOPLES GAS SYSTEM
DOCKET NO: 160120-GU
STAFF'S 1ST DATA REQUEST
REQUEST NO. 1
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1. The table below serves as a basis for one or more questions in this data request. Please examine the table and confirm that the rates shown are characterized properly based on the sources cited. If there are errors in the information presented, please identify the errors and provide the correct information.

Description	Rate per MMBtu	Source Document
FTS-1 Usage Rate	1.56 cents	(1)
FTS-3 Usage Rate	0.23 cents	(2)
FTS-1 Reservation Charge	55.18 cents	(1)
FTS-3 Reservation Charge	132.99 cents	(2)
Peoples' Projected 2016 WACOC	56.4 cents	(3)

- Sources:
- (1) Florida Gas Transmission Company, LLC, FERC NGA Gas Tariff, Fifth Revised Volume No. 1, Part IV Currently Effective Rates, Rate Schedule FTS-1, Version 16.0.0, effective: April 1, 2016.
 - (2) Id., at Rate Schedule FTS-3, Version 14.0.0, effective April 1, 2016.
 - (3) Exhibit A to Peoples' petition filed October 9, 2015 in Docket No. 150220-GU. [Note: Exhibit A presented the WACOC rate as \$0.0564 per therm.]

- A. The FTS-1 Usage Rate, FTS-3 Usage Rate, FTS-1 Reservation Charge, and FTS-3 Reservation Charge are correct. Peoples updated 2016 WACOC is 58.1 cents as of May 2016.

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- 2.** Please refer to paragraph 12(b) on page 6 of the petition, proposed Third Revised Sheet No. 8.119-8, and proposed Fourth Revised Sheet No. 7.805-6. The narrative portion of the petition appears to convey a message that the proposed tariff changes are intended to act as a deterrent to pool managers being in a negative monthly imbalance posture. However, there appears to be inconsistent intent in the wording between the two referenced tariff sheets. As currently proposed, revised Sheet No. 8.119-8, Section 5.5(b) would appear to do the following:

- Lower the FGT usage rate assessed from 1.56 cents per MMBtu (for FTS-1) to 0.23 cents per MMBtu (for FTS-3), and
- Raise the reservation charge assessed from 56.4 cents per MMBtu (Peoples' projected 2016 WACOC) to 132.99 cents per MMBtu (FGT's reservation charge for FTS-3).

As currently proposed, revised Sheet No. 7.805-6, paragraph (c)(ii) would appear to do the following: Lower the FGT usage rate assessed from 1.56 cents per MMBtu (for FTS-1) to 0.23 cents per MMBtu (for FTS-3). Staff notes that Peoples proposes to delete the term "Weighted Average Cost of Capacity" from the "Definitions" in its Firm Delivery and Operational Balancing Agreement. [See proposed revised tariff Sheet No. 8.119-2.]

Please review the referenced tariff sheets and provide additional clarification regarding the intent of how the proposed tariff changes would be administered. If necessary, please provide appropriate revised tariff sheets.

- A.** Please refer to (c)(ii) on Peoples' Fourth Revised Sheet No. 7.805-6, which is attached. Peoples will file the fourth revised sheet 7.805-6 after the informal meeting scheduled for June 24, 2016.

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~~Third~~ ~~Fourth~~ Revised Sheet No. 7.805-6
Cancels ~~Second~~ ~~Third~~ Revised Sheet No. 7.805-6

INDIVIDUAL TRANSPORTATION SERVICE Rider ITS (Continued)

- (c) If a Remaining Imbalance is Negative (*i.e.*, Actual Takes exceed Scheduled Quantities), Company shall sell the same to Customer (and Customer shall purchase the same from Company) at a price per Therm (the "Unit Price") equal to the sum of (i) the highest average of weekly prices for spot Gas delivered to FGT at Mustang Island (Tivoli), Texas, Vermillion Parish, Louisiana, or St. Helena Parish, Louisiana, as reported in *Natural Gas Week*, for the Month in which the Monthly Imbalance Amount accumulated, multiplied by the applicable factor set forth below:

<u>Imbalance Level</u>	<u>Factor</u>
0% to 5%	1.00
Greater than 5% to 20%	1.10
Greater than 20% to 40%	1.20
Greater than 40%	1.50

and (ii) ~~Company's Weighted Average Cost of Capacity~~ maximum reservation rate for FGT FTS-3 capacity plus the FGT FTS-1-~~3~~ capacity usage rate (including any applicable surcharges). The total amount due Company pursuant to this paragraph (c) shall be the product of the Unit Price (calculated as set forth herein) and the Remaining Imbalance. The Imbalance Level shall be calculated by dividing the Remaining Imbalance by the Scheduled Quantities for the Month in which the Monthly Imbalance Amount accumulated.

- (d) Company's statement for a Remaining Imbalance calculated pursuant to paragraph (b) above shall show a credit for the amount payable by Company to Customer pursuant to paragraph (b), such credit to be applied on Company's bill rendered to Customer pursuant to the Gas Transportation Agreement for the Month following the Month in which the amount payable by Company to Customer pursuant to paragraph (b) was incurred. All amounts not so credited by Company shall be considered delinquent.
- (e) Company's statement for a Remaining Imbalance calculated pursuant to paragraph (c) above shall be paid by Customer in accordance with the Gas Transportation Agreement. All amounts not so paid by Customer shall be considered delinquent.

7A. Correction of Imbalances at PGS Receipt Points that Are Gulfstream Delivery Points. If Company is the delivery point operator at a PGS Receipt Point that is a Gulfstream delivery point, Customer shall resolve with Company any Monthly Imbalance Amount attributable to Customer in accordance with the provisions of Special Condition 7 above. In addition, Customer shall bear sole responsibility for, and all costs associated with, the resolution with Gulfstream of imbalances (except imbalances caused by the acts or omissions of Company) resulting from Customer's nominations for deliveries of Gas at any such PGS Receipt Point. If Company is not the delivery point operator at a PGS Receipt Point that is a Gulfstream delivery point, the provisions of Special Condition 7 above shall not apply to the resolution of Monthly Imbalance Amounts at such PGS Receipt Point, and Customer shall bear sole responsibility for, and all costs associated with, the resolution with Gulfstream of imbalances (except imbalances caused by the acts or omissions of Company) resulting from Customer's nominations for deliveries of Gas at any such PGS Receipt Point.

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- 3.** Please refer to the last sentence of paragraph 7 on page 3 of the petition. Please explain the differences (if any) between “the costs of ... peaking and future growth capacity” discussed in the instant petition and “the costs associated with reserved upstream capacity Peoples holds ... to meet customer demand during peak months” that were identified in paragraph 12 on page 7 of Peoples’ petition filed in Docket No. 150220-GU.
 - A.** The “costs of ... peaking and future growth capacity” refer to the cost of retaining capacity to cover firm load demand peaks typically a result of cold-weather events and/or market conditions. “The costs associated with reserved upstream capacity Peoples holds ... to meet customer demand during peak months” referred to in the petition filed in Docket No. 150220-GU refer to the cost of capacity held for NCTS customers based on an average day on a peak month vs minimum throughput month. In the calculation of the LFARR the swing charge reimbursement is credited to the costs to be recovered by the adder.

Please reference line 9 of the updated 2016 WACOC table below.

WACOC - 2016		Data	Calculation
1	Total Capacity Value Portfolio \$/Year	\$ 95,046,160.00	2016 PGS WACC Model - May
2	Total Capacity Value after Released to customers other than NCTS Pool Managers \$/Year	\$ 57,279,660.00	2016 PGS WACC Model - May
3	Remaining volume MMBTU/Year	98,512,204	2016 PGS WACC Model - May
4	Weighted Average Cost of Capacity Net Releases	\$ 0.581	Line 2 / Line 3
Load Factor Adder			
5	Total Capacity Portfolio Value \$/Year	\$ 95,046,160.00	Line 1
6	Total Capacity Value Released to customers other than NCTS Pool Managers \$/Year (Projected)	\$ 37,766,500.00	Line 1 - Line 2
7	NCTS Release \$/Year (Projected)	\$ 18,009,275.92	(Line 17 + 5% growth) * Line 4
8	PGA Sales Capacity \$/Year (Projected)	\$ 6,527,491.74	(Line 15/10) + 3% growth) * Line 4
9	Less Swing Charge Recovery \$/Year (Projected)	\$ 8,160,000.00	Swing Service Charge Petition
10	Remaining Capacity Expense - Net	\$ 24,582,892.34	Line 5 - Line 6 - Line 7 - Line 8 - Line 9
11	NCTS Allocation % Based on throughput	\$ 4,424,920.62	Line 10 * Line 18
12	NCTS Release Projected MMBTU/Year (Projected)	30,973,184	Line 17 * 5% growth / 10
13	Release Adder	0.14	Line 11 / Line 12
14	Total Release Cost \$/MMBTU	\$ 0.72	Line 4 + Line 13
2015 PGS Throughput			
15	PGA Therm Sales	108,993,026	
16	NCTS	294,982,707	
17	Transport	1,355,424,267	
18	% Total Transport Throughput	18%	

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4. Please refer to paragraph 10 on page 4 of the petition. Using the Load Factor Adjusted Release Rate (LFARR) and the WACOC, please provide a comparative example to illustrate the effects of Peoples' proposed "change to the rate, or reservation charge, at which releases of upstream capacity to Pool Managers under Rider NCTS will be made." Please use actual data for 2015 as the basis for the comparative example(s) showing how the LFARR and WACOC would be calculated and include the effects that the proposed methodology change would have on the following: (a) the reservation charge, (b) the PGA rates paid by retail sales customers, and (c) the swing service charge rates paid by NCTS customers. Also, please confirm that the types of charges to which the proposed methodology change would apply were identified as "Reserved Capacity" in Exhibit A to the petition filed in Docket No. 150220-GU and describe the impacts that using the LFARR in lieu of the WACOC would have on this pool of costs.

A. Peoples used the calculation in Exhibit A, as filed with Peoples' petition in Docket No. 150220-GU as a basis point to calculate the updated 2016 WACOC table used in response to Staff's Data Request No. 3 above.

- (a) The NCTS release reservation rate would increase approximately \$0.14-\$0.18.
- (b) The additional charge will reduce the PGA by approximately \$0.04 per therm. The following example does not include the revenue tax factor.

2015 PGA	After LFARR
\$ 91,356,676.00	\$ 86,874,704.00
108,993,026	108,993,026
\$ 0.8382	\$ 0.7971
	\$ 0.04

- (c) The Swing Service Charge would not change. In the calculation of the LFARR the swing credit is subtracted from the remaining capacity costs. See table in response to Staff's Data Request No. 3 above.

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- 5.** Please refer to the proposed tariff language included in paragraph 11 on page 5 of the petition, which states that “the Load Factor Adjusted Release Rate may be varied as determined by the Company from time to time...” Please describe the specific circumstances under which consideration would be given to varying the rate and include for each identified scenario a procedural discussion regarding how the LFARR change would be calculated and what the implementation of the change would entail.

- A.** The Weighted Average Cost of Capacity will continue to be calculated monthly and the Load Factor Adder will be calculated annually in January. Several factors could vary the rate, including the addition of new capacity to Peoples’ portfolio, additional capacity releases to customers, a change in the recovery amount of the Swing Service Charge, or upstream transporter rate changes. The rate would change based on new inputs to the calculation described in Exhibit A to the petition filed in Docket No. 150220-GU.

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- 6.** Please refer to paragraph 12(b) on page 6 of the petition. Please provide an estimate of the number of negative monthly imbalance posture situations that Peoples typically encounters on an annual basis.
 - A.** In 2015, Peoples' total month-end imbalances was a negative 1,706, which consisted of 28,155,784 therms pre-book out and a total of 211 negative imbalances cashed out, which consisted of 9,968,724 therms. These imbalances include both NCTS and ITS accounts.

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7. Please refer to paragraph 12(c) on page 7 of the petition. Please provide an estimate of the number of misrepresentation incidents that Peoples typically encounters on an annual basis. Also, please describe the criteria used by Peoples to determine that a misrepresentation has occurred.
- A. Prior to Peoples' petition in Docket No. 160120-GU, the company experienced two incidents involving misrepresentations by pool managers.

The first instance involving pool managers occurred in 2012:

- Unauthorized use of the TECO name and logo
- Use of the e-mail address TECO peoplesgas@energychoicecenter.org, together with "TECO Natural Choice Division" in the signature block of the e-mail
- Representing that:
 - The "Energy Center" is the "main provider" of services under Peoples' Natural Choice program
 - The pool manager is "the most-preferred and only-endorsed supplier" under the NCTS program
 - The pool manager is "the most recognized and preferred supplier in Florida" under the NCTS program

The 2012 instance resulted in a cease and desist letter to the pool manager from TECO Energy, Inc. counsel.

The second instance occurred in 2015 and involved the same pool manager's distributing via e-mail certain marketing material containing false statements of fact, and other statements of fact that might be described as, at best, misleading, such as:

- That "Effective January 2015 . . . it will be mandatory for all businesses in Florida to purchase their natural gas separate from their current natural gas service company
- That there was a "government mandate" that became effective January 2015
- That companies add fees to their bills that "they pocket," and that such additions to bills are "not real" and "are how [the companies] make their money."

The second instance also resulted in a cease and desist letter to the pool managers from Peoples' outside counsel.

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In late May 2016, Peoples became aware that a pool manager had been informing Peoples' customers that another pool manager was exiting the natural gas supply business and that such customers would no longer be receiving service from their current pool manager.

On June 15, 2016, Peoples became aware of an addition incident that occurred in late May 2016. In this incident, the customer, who already had a pool manager, was contacted by another pool manager. The second pool manager represented to the customer that "because we are a direct supplier to TECO there is not a "swing" charge on your utility bill or other associated monthly fees with [us] like you see with your current re-seller." The second pool manager made the representations that he/she is not a "direct supplier" to Peoples or any other "TECO" company. The second pool manager also provided the customer a Letter of Authorization under the Peoples NCTS program. All NCTS customers pay the "swing" charge.

On June 13, 2016, a pool manager sent an e-mail to the executive director of a trade association of natural gas users and advised that:

- The pool manager supplied Peoples and two other Florida PSC-regulated gas utilities
- The referenced gas utilities "buy gas from large wholesalers like [the pool manager] and then resell it to consumers."

Peoples does not buy gas from the pool manager that sent the e-mail on June 13, 2016.

Peoples does not consider the number of misrepresentations of which it becomes aware to be important. What is important is that it have the ability to terminate its relationship with such pool managers who make factual misrepresentations to Peoples' customers.

The "criteria" used by Peoples to determine if a misrepresentation has occurred is that a misrepresentation is as stated above, a misrepresentation is a statement that is false, deceptive, misleading, or unfair, either on its face or in the context in which it is made.

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- 8.** Please refer to proposed revised Sheet No. 8.119-1 and the proposed modifications to the definition of "FGT's FERC Tariff." The proposed modifications appear to be reiterative of the description given for the term "FGT." Please clarify whether additional specific references to FGT FERC Tariffs should be included in its definition or whether it is Peoples' intent to supersede this definition with the proposed definition of "Transporter's Tariff" included on proposed revised Sheet No. 8.119-2.

- A.** Please see Peoples' Fourth Revised Tariff Sheet No. 8.119-1 attached. Peoples will file this revision after the informal meeting scheduled for June 24, 2016.

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~~Third~~^{Fourth} Revised Sheet No. 8.119-1
Cancels ~~Second~~^{Third} Revised Sheet No. 8.119-1

"Capacity Release Agreement" means the Master Capacity Release Agreement between PGS and Pool Manager dated as of even date herewith, as the same may be amended from time to time.

"Customer" means the person or entity responsible for a Customer Account.

"Customer Account" means each account included in the Customer Pool.

"Customer Pool" means, collectively, the Customer Accounts identified by PGS pursuant to Section 4.1.

"Day" has the meaning given in the Capacity Release Agreement.

"FGT" means Florida Gas Transmission Company, a Delaware corporation, and its successors and assigns.

"FGT's FERC Tariff" means FGT's effective FERC Gas Tariff, ~~Third Revised Volume No. 1,~~ as amended, supplemented or superseded from time to time, ~~as such tariff applies to transportation service under FGT's Rate Schedules FTS-1 and FTS-2.~~

"Firm" means: (i) with respect to the sale and purchase of Gas, that Pool Manager is obligated to sell and deliver and a Customer is obligated to purchase and receive the quantity of Gas specified, except as excused by an event of Force Majeure, and (ii) with respect to transportation, that ~~the transporter~~Transporter of Gas is obligated to make available a quantity of pipeline capacity, without interruption except as excused by an event of force majeure under ~~such transporter's tariff~~Transporter's Tariff, sufficient to enable Pool Manager to perform its obligations under this Agreement.

"Gas" means "Gas" as defined in ~~FGT's FERC Transporter's~~ Tariff.

~~"Limitation Day" means a Limitation Day as defined in the FERC tariff of Southern Natural Gas Company and South Georgia Natural Gas Company.~~

"Month" has the meaning given in the Capacity Release Agreement.

"Monthly Imbalance Amount" means, for a Month, the positive or negative whole number difference determined by subtracting the Actual Takes for such Month from the sum of the ADQs for such Month (less the Retainage).

"OFO" means an Operational Flow Order as defined in ~~FGT's FERC~~Transporter's Tariff.

"Primary Delivery Point(s)" means the ~~FGT or other interstate pipeline~~Transporter Delivery Point(s) identified as the Primary Transporter Delivery Points in the Capacity Release Agreement, subject to modification by PGS from time to time.

"Retainage" means 0.35% of Gas received by PGS for the account of Customer at the Primary Delivery Point(s) to account for lost and unaccounted Gas between such point(s) and the meters of the Customer Accounts.

"Transporter" means, for purposes of this Agreement and the Capacity Release Agreement, individually or collectively as the context requires, any upstream pipeline(s) on which Firm

Issued By: Gordon L. Gillette, President
Issued On: April 9, 2010

Effective: June 1, 2010

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~~Third~~Fourth Revised Sheet No. 8.119-1
Cancels ~~Second~~Third Revised Sheet No. 8.119-1

Transportation Capacity Rights are being temporarily released by PGS to Pool Manager pursuant to the Capacity Release Agreement for purposes of serving the Customer Pool.

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- 9.** Please refer to proposed revised Sheet No. 8.119-1 and the proposed definition of the term "Transporter." Please confirm whether it is Peoples' intent that the meaning of "Transporter" may be construed to potentially include intrastate pipelines.
 - A.** Yes. It is Peoples' intent that the meaning of "Transporter" be construed to include intrastate pipelines.