

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-**

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**DATE:** March 21, 2019

**TO:** Office of Commission Clerk (Teitzman)

**FROM:** Division of Economics (Guffey, Merryday) *ESD*  
Office of the General Counsel (Nieves) *S.K.G. HM JSH*

**RE:** Docket No. 20190036-GU – Petition for authority for approval of revised transportation imbalance tariffs, by Florida Public Utilities Company; Florida Public Utilities Company-Ft. Meade.

**AGENDA:** 04/02/19 – Regular Agenda – Tariff Filing – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** 10/01/19 (8-Month Effective Date)

**SPECIAL INSTRUCTIONS:** None

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## Case Background

On February 1, 2019, Florida Public Utilities Company (FPUC) and Florida Public Utilities Company – Fort Meade (FPUC – Fort Meade) (jointly, companies) filed a petition for approval of revised transportation imbalance tariffs. The imbalance tariffs apply to pool managers who are responsible for purchasing natural gas for the companies' transportation customers.

During the review process of the petition, staff issued a data request to the companies for which the responses were received on March 8, 2019. On March 14, 2019, the companies filed certain minor corrections to the proposed tariffs. The corrected tariff pages for FPUC are contained in Attachment 1 and the corrected tariff pages for FPUC – Fort Meade are contained in Attachment 2 to this recommendation. The petitioners provided a letter waiving the 60-day file and suspend provision of Section 366.06(3), Florida Statutes (F.S.). The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, and 366.06, F.S.

## Discussion of Issues

**Issue 1:** Should the Commission approve FPUC and FPUC – Fort Meade’s revised transportation imbalance tariffs as contained in Attachments 1 and 2 to this recommendation?

**Recommendation:** Yes, the Commission should approve FPUC and FPUC – Fort Meade’s revised transportation imbalance tariffs as contained in Attachments 1 and 2 to this recommendation. The proposed revisions are designed to act as a deterrent for long monthly imbalances, provide benefits to sales customers, and are consistent with the Florida Division of Chesapeake Utilities Corporation’s imbalance tariffs. The revised tariffs should become effective on April 2, 2019. (Guffey, Merryday)

**Staff Analysis:** The companies proposed to revise their methodology for calculating billing adjustments to pool managers for monthly imbalances. Specifically, the companies proposed to modify the imbalance cash-out tiers and associated cash-out rates. Imbalances occur when the amount of natural gas delivered by a pool manager and the amount of natural gas consumed by transportation customers varies.

### Background

Rule 25-7.0335, Florida Administrative Code, (F.A.C.), requires local distribution companies (LDCs), such as FPUC and FPUC – Fort Meade, to make gas transportation service available to non-residential customers. Transportation service is a voluntary program that allows customers to use a pool manager, or third party marketer or shipper, rather than the LDC to meet their natural gas requirements. In a transportation service environment, the LDC only transports natural gas from the gate station (delivery point at which natural gas is transferred from the interstate pipeline to the LDC’s distribution system) to the transportation customer’s meter. Customers who purchase their natural gas from the LDC are referred to as sales customers.

Both FPUC and FPUC – Fort Meade function as traditional LDCs providing gas service for sales customers and provide optional transportation service as required by Rule 25-7.0335, F.A.C.<sup>1</sup> There are currently 13 pool managers qualified to serve FPUC and FPUC – Fort Meade’s transportation customers in aggregated customer pools. The transportation customers pay the pool manager’s charges for natural gas and are not subject to the companies’ Commission-approved Purchased Gas Adjustment (PGA) rates, whereas sales customers are subject to PGA rates. The Commission does not approve or review the natural gas prices the pool managers offer.

### Current Imbalance Tariffs

Gas is delivered by the pool managers to the LDC’s gate station at a constant level daily even though transportation customers’ daily therm usage varies, creating negative or positive imbalances. At the end of each month, the companies calculate each pool manager’s imbalance level by aggregating customer usage in their pool and comparing it to the pool manager’s natural gas deliveries.

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<sup>1</sup> FPUC currently has 2,369 transportation customers and 58,733 sales customers while FPUC-Fort Meade currently has 7 transportation customers and 584 sales customers.

A negative (short) imbalance results when the gas consumption of a transportation customer pool exceeds what the pool manager delivered that month; therefore, the companies sell natural gas to the pool manager. A positive (long) imbalance results when more natural gas was delivered than was needed for the transportation customers; therefore, the companies purchase the excess gas delivered by the pool manager. To calculate invoices to pool managers for a long imbalance or amounts due to the companies for a short imbalance, the amount (in therms) of the long or short imbalance is multiplied by the applicable imbalance tier. The resulting amount is then multiplied by the PGA rate, i.e., cash-out rate. The proposed revisions to the companies' tariff provisions that contain the imbalance tiers and cash-out rates are discussed in detail below.

### Proposed Revisions to Imbalance Tariffs

#### *Imbalance Tiers*

The companies explained that the current imbalance tiers are very broad. The imbalance tiers represent the difference, expressed as a percentage, between the natural gas quantity delivered (in therms) by the pool manager and the natural gas consumed (in therms) by the transportation customers. As shown in Table 1-1 below, the first tier is from zero to 20 percent; therefore, if a pool manager delivers between zero and 20 percent more natural gas than what is consumed, the companies must pay the pool manager the full PGA rate for the excess gas delivered. The next tier, 20 percent to 40 percent, provides for a payment of a long position at 90 percent of the PGA rate. Similar calculations are used to determine payment amounts to or from pool managers depending on position and tier.

**Table 1-1  
 Current Imbalance Tiers**

Imbalance Tiers		Short Factor	Long Factor
Lower	Upper		
0%	20%	1.00	1.00
20%	40%	1.10	0.90
40%	60%	1.20	0.80
60%	80%	1.30	0.70
Greater than 80%		1.40	0.60

Source: Docket No. 20190036-GU petition

The companies proposed to revise the imbalance tiers as shown in Table 1-2 below. As Table 1-2 demonstrates, the proposed imbalance tiers only provide a 100 percent payout for a long position from zero to five percent.

**Table 1-2  
 Proposed Imbalance Tiers**

Imbalance Tiers		Short Factor	Long Factor
Lower	Upper		
0%	5%	1.00	1.00
5%	20%	1.10	0.90
Greater than 20%		1.20	0.80

Source: Docket No. 20190036-GU petition

***Cash-out Rate for Monthly Imbalance Amounts***

The companies' second revision is to change the cash-out rate for monthly imbalance amounts as shown in the proposed tariffs. Instead of the PGA rate, the companies proposed to use market-based natural gas cash-out rates as reported in the Platts Gas Daily and published interstate pipeline capacity charges. The Platts Gas Daily provides natural gas commodity prices in various areas of the US natural gas market.

The companies assert that proposed cash-out rates are indicative of the natural gas prices in the market. The PGA rate is typically higher than market based natural gas prices as it includes interstate and intrastate pipeline demand charges for all the capacity the companies need to hold to serve their sales customers and costs related to the companies' purchase gas function.

To support their petition, the companies explained that over the last three years, payments to pool managers have increased. In response to staff's data request, the companies provided monthly imbalance quantities. The monthly imbalance quantities (in therms) show that for the period January 2015 through December 2018, the net total of each pool manager's monthly imbalance was a long imbalance, i.e., the pool managers delivered excess natural gas. Therefore, the companies made the following annual payments to pool managers for excess natural gas delivered: \$2.1M (2015), \$2.8M (2016), \$4.9M (2017), and \$3.5M (2018). These payments to pool managers are included in the calculation of the PGA rate. The companies assert that the proposed lower cash out rates should provide a price signal to pool managers to not overschedule natural gas deliveries. A reduction in the payment amounts to pool managers for long imbalances will provide downward pressure on the PGA rate benefitting the sales customers.

The companies assert that the long positions are an indication that some pool managers may intentionally purchase more natural gas in the market than the amount needed to serve their customer pool in order to sell the excess (long) gas quantity back to the companies at the PGA rate. The companies explained that any excess natural gas purchased from the pool managers either is used by the sales customers or sold to an interstate pipeline. Any revenue received from an interstate pipeline is credited to the PGA charge; however, the interstate pipeline's cash-out rates are typically based on the New York Mercantile Exchange, which is less than the companies' PGA rates.

**Conclusion**

The proposed revisions are intended as a deterrent to long monthly imbalances and provide benefits to sales customers. Furthermore, the proposed revisions are consistent with Florida Division of Chesapeake Utilities Corporation's (Chesapeake) current Commission-approved

imbalance tariffs. FPUC is a wholly-owned subsidiary of Chesapeake Utilities Corporation which is headquartered in Dover, Delaware. Chesapeake is an operating division of Chesapeake Utilities Corporation. The companies expressed a desire to have consistent tariff provisions across their Florida business units.

The companies stated that they have communicated with the pool managers about the proposed revisions and that the pool managers have been supportive. Staff recommends that the Commission approve FPUC and FPUC – Fort Meade’s tariff modifications as shown in Attachments 1 and 2 to this recommendation. The revised tariffs should become effective on April 2, 2019.

**Issue 2:** Should this docket be closed?

**Recommendation:** If Issue 1 is approved and 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. (Nieves)

**Staff Analysis:** If Issue 1 is approved and 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.

Florida Public Utilities Company  
 F.P.S.C. Gas Tariff  
 Third Revised Volume No. 1

Fourth ~~Third~~ Revised Sheet No. 35.2  
 Cancels ~~Second~~ Third Revised Sheet No. 35.2

**BILLING ADJUSTMENTS**

In addition, Company will credit Pool Manager for the variance between Pool Manager's Daily Delivery Requirement and the sum of the Daily Delivery Quantity for each Customer being served by Pool Manager. This variance will be referred to as Pool Manager Monthly Delivery Variance. Company shall retain all gas supplies resulting from a Pool Manager Monthly Delivery Variance and credit Pool Manager in accordance with the Imbalance Billing Adjustments – Pool Manager section of this tariff.

**Imbalance Billing Adjustments – Rate Schedule PM**

The following language details the methodology of calculating billing adjustments for Pool Manager Imbalances. All prices will be adjusted to reflect dollars per therm and will be rounded to five decimal places (\$0.00000).

- A. **Pool Manager Short Imbalance and Pool Manager Long Imbalance**  
 Invoices to Pool Manager for Pool Manager Short Imbalances and Pool Manager Long Imbalances will be computed using the following methodology. ~~Invoices will be based on the Company's Purchased Gas Cost Recovery Factor ("PGCRF") in effect during the month the imbalance was created multiplied by the applicable factor as follows:~~

Pool Manager Imbalance Level		Short Factor	Long Factor
Lower	Upper		
0%	20%	1.00	1.00
20%	40%	1.10	0.90
40%	60%	1.20	0.80
60%	80%	1.30	0.70
Greater than 80%		1.40	0.60

~~The Pool Manager Imbalance Level shall be calculated by dividing the absolute value of the Pool Manager Imbalance by the aggregate Billing Period Delivery Quantity for all Customers being served by Pool Manager.~~

- B. ~~Pool Manager Monthly Delivery Variance~~  
~~Invoices to Pool Manager for Pool Manager Monthly Delivery Variance will be computed using the following methodology. Invoices will be based on the Company's PGCRF in effect during the month the delivery variance was created.~~

(Continued to Sheet No. 35.3)

- (1) **Pool Manager Short Imbalance**  
~~If the Pool Manager Imbalance Level is short, the Company shall sell to Pool Manager such monthly imbalance quantity at a price per therm (the "Unit Price") calculated by taking the sum of (i) the highest weekly average (weeks where Friday is within the calendar month) of the "Daily price survey" for Gas posted under the "Midpoint" column for "Florida Gas, zone 1", "Florida Gas, zone 2" or "Florida Gas, zone 3", as reported in *Platts Gas Daily*, for the Month in which the negative Pool Manager Imbalance Level quantity was incurred, multiplied by the applicable factor set forth below:~~

Issued by: ~~J.T. English~~ Kevin Webber, President & CEO  
 November 18, 2004

Effective:

Florida Public Utilities Company  
F.P.S.C. Gas Tariff  
Third Revised Volume No. 1

~~Fourth Third~~ Revised Sheet No. 35.2  
Cancels ~~Second Third~~ Revised Sheet No. 35.2

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

and (ii) the Gulfstream Natural Gas System capacity rate per Therm for 6% maximum hourly flow tariff rate (as it may change from time to time) plus the FGT FTS-1 usage rate per therm (inclusive of all applicable surcharges).

The total amount due to the Company shall be the product of the Unit Price and the short monthly imbalance.

(2) Pool Manager Long Imbalance

If the Pool Manager Imbalance Level is long, the Company shall purchase from Pool Manager such monthly imbalance quantity at a price per therm (the "Unit Price") calculated by taking the sum of (i) the lowest weekly average (weeks where Friday is within the calendar month) of the "Daily price survey" for Gas posted under the "Midpoint" column for "Florida Gas, zone 1", "Florida Gas, zone 2" or "Florida Gas, zone 3", as reported in *Platts Gas Daily*, for the Month in which the positive Pool Manager Imbalance Level quantity was incurred, multiplied by the applicable factor set forth below:

(Continued to Sheet No. 35.3)

Issued by: ~~J.T. English~~ Kevin Webber, President & CEO  
November 18, 2004

Effective:



Florida Public Utilities Company  
 F.P.S.C. Gas Tariff  
 No. 35.3  
 Third Revised Volume No. 1  
 No. 35.3

Twentieth-Twenty-first Revised Sheet  
 Cancels Twentieth-Nineteenth Revised Sheet

**BILLING ADJUSTMENTS**

(Continued from Sheet No. 35.2)

Imbalance Level	Factor
0% to 5%	1.00
Greater than 5% to 20%	0.90
Greater than 20%	0.80

The total amount due Pool Manager shall be the product of the Unit Price and the long monthly imbalance.

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Energy Conservation Cost Recovery Adjustment Clause

The bill for gas or transportation service supplied to a Customer in any Billing Period shall be adjusted as follows:

Except as otherwise provided herein, each rate schedule shall be increased or decreased to the nearest \$0.00001 multiplied by the tax factor of 1.00503 for each Therm of consumption or transportation to recover the conservation related expenditures by the Company. The Company shall record both projected and actual expenses and revenues associated with the implementation of the Company's Energy Conservation Plan as authorized by the Commission. The procedure for the review, approval, recovery and recording of such costs and revenues is set forth in the Commission Rule 25-17.013, FAC.

The cost recovery factors for the period from the first billing cycle for January 2019 through the last billing cycle for December 2019 are as follows:

Rate Class	Recovery Factor
Rate Schedule RS	7.369 cents per therm
Rate Schedule RS-GS	7.369 cents per therm
Rate Schedule GS-1	4.462 cents per therm
Rate Schedule GS-2	3.451 cents per therm
Rate Schedule CS-GS	4.462 cents per therm
Rate Schedule GSTS-1	4.462 cents per therm
Rate Schedule GSTS-2	3.451 cents per therm
Rate Schedule LVS	2.874 cents per therm
Rate Schedule LVTS	2.874 cents per therm
Rate Schedule NOV	1.252 cents per therm
Rate Schedule NOVTS	1.252 cents per therm

(Continued to Sheet No. 35.4)

Issued by: Jeffrey-Houssholder Kevin Webber, President

Effective: JAN-01-2018

Florida Public Utilities Company-Fort Meade  
 F.P.S.C. Gas Tariff  
 Original Volume No. 1

First Revised Sheet No. 61  
Cancels Original Sheet No. 61

BILLING ADJUSTMENTS

(Continued from Sheet No. 60)

In addition, Company will credit Pool Manager for the variance between Pool Manager's Daily Delivery Requirement and the sum of the Daily Delivery Quantity for each Customer being served by Pool Manager. This variance will be referred to as Pool Manager Monthly Delivery Variance. Company shall retain all gas supplies resulting from a Pool Manager Monthly Delivery Variance and credit Pool Manager in accordance with the Imbalance Billing Adjustments – Pool Manager section of this tariff.

Imbalance Billing Adjustments – Rate Schedule PM

The following language details the methodology of calculating billing adjustments for Pool Manager Imbalances. All prices will be adjusted to reflect dollars per therm and will be rounded to five decimal places (\$0.00000).

- A. Pool Manager Short Imbalance and Pool Manager Long Imbalance  
 Invoices to Pool Manager for Pool Manager Short Imbalances and Pool Manager Long Imbalances will be computed using the following methodology. Invoices will be based on the Company's Purchased Gas Cost Recovery Factor ("PGCRF") in effect during the month the imbalance was created multiplied by the applicable factor as follows:

Pool Manager Imbalance Level		Short Factor	Long Factor
Lower	Upper		
0%	20%	1.00	1.00
20%	40%	1.10	0.90
40%	60%	1.20	0.80
60%	80%	1.30	0.70
Greater than 80%		1.40	0.60

~~The Pool Manager Imbalance Level shall be calculated by dividing the absolute value of the Pool Manager Imbalance by the aggregate Billing Period Delivery Quantity for all Customers being served by Pool Manager.~~

- ~~B. Pool Manager Monthly Delivery Variance  
 Invoices to Pool Manager for Pool Manager Monthly Delivery Variance will be computed using the following methodology. Invoices will be based on the Company's PGCRF in effect during the month the delivery variance was created.~~

- (1) Pool Manager Short Imbalance  
If the Pool Manager Imbalance Level is short, the Company shall sell to Pool Manager such monthly imbalance quantity at a price per therm (the "Unit Price") calculated by taking the sum of (i) the highest weekly average (weeks where Friday is within the calendar month) of the "Daily price survey" for Gas posted under the "Midpoint" column for "Florida Gas, zone 1", "Florida Gas, zone 2" or "Florida

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Original Volume No. 1

First Revised Sheet No. 61  
Cancels Original Sheet No. 61

Gas zone 3", as reported in *Platts Gas Daily*, for the Month in which the negative Pool Manager Imbalance Level quantity was incurred, multiplied by the applicable factor set forth below:

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

and (ii) the Gulfstream Natural Gas System capacity rate per Therm for 6% maximum hourly flow tariff rate (as it may change from time to time) plus the FGT ETS-1 usage rate per therm (inclusive of all applicable surcharges).

The total amount due to the Company shall be the product of the Unit Price and the short monthly imbalance.

(Continued to Sheet No.  
621.1)

Florida Public Utilities Company-Fort Meade  
F.P.S.C. Gas Tariff  
Original Volume No. 1

Original Sheet No. 61.1

BILLING ADJUSTMENTS

(Continued from Sheet No. 61)

(2) Pool Manager Long Imbalance

If the Pool Manager Imbalance Level is long, the Company shall purchase from Pool Manager such monthly imbalance quantity at a price per therm (the "Unit Price") calculated by taking the sum of (i) the lowest weekly average (weeks where Friday is within the calendar month) of the "Daily price survey" for Gas posted under the "Midpoint" column for "Florida Gas, zone 1", "Florida Gas, zone 2" or "Florida Gas, zone 3", as reported in *Platts Gas Daily*, for the Month in which the positive Pool Manager Imbalance Level quantity was incurred, multiplied by the applicable factor set forth below:

<u>Imbalance Level</u>	<u>Factor</u>
<u>0% to 5%</u>	<u>1.00</u>
<u>Greater than 5% to 20%</u>	<u>0.90</u>
<u>Greater than 20%</u>	<u>0.80</u>

The total amount due to the Pool Manager shall be the product of the Unit Price and the long monthly imbalance.

(Continued to Sheet No. 62)

Issued By: Kevin Webber, President

Effective: