

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: May 23, 2007

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Draper)
Office of the General Counsel (Fleming)

RE: Docket No. 070260-GU – Petition for approval of standby generator rate schedules RS-SG and CS-SG, by Peoples Gas System.

AGENDA: 06/05/07 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 06/13/07 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\070260.RCM.DOC

Case Background

On April 13, 2007, Peoples Gas System (Peoples) filed a petition for approval of standby generator rate schedules. The proposed rate schedules are available to residential and commercial customers who wish to install a natural gas standby generator to provide service when electric service to the customer's premise is interrupted.

The Commission has jurisdiction pursuant to Section 366.06, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission approve Peoples' proposed generator rate schedules?

Recommendation: Yes. (Draper)

Staff Analysis: On April 13, 2007, Peoples filed a petition for approval of two new rate schedules: RS-SG (Residential Standby Generator Service), and CS-SG (Commercial Standby Generator Service). The proposed rate schedules are available to residential or commercial customers who wish to install a natural gas-fired generator to provide service when electric service to the customer's premise is interrupted and whose only gas appliance is the generator. Customers with a generator and other gas-appliance(s) will continue to take service under the otherwise applicable rate schedule.

In support of its petition, Peoples states that after the 2004 hurricane season, Peoples began receiving numerous requests to provide natural gas service to customers whose only gas-consuming appliance would be the standby electric generators. The generators would be operated only during periods when electric service to the customer's premise is interrupted as a result of a hurricane or other forced outage. Therefore, except during electric outages, the generator does not run and there is no throughput of gas.

Peoples has been providing gas service to generator-only customers under the otherwise applicable residential or commercial rate. Peoples rates include a fixed monthly customer charge to recover its cost of customer billing, and a variable per-therm distribution charge. The distribution charge is designed to recover Peoples' cost of the mains, meter, house regulator and associated operation & maintenance costs. When a gas customer installs a year-round appliance such as a waterheater, Peoples can expect to recover its distribution-related costs. However, since the generator only operates during outages, Peoples does not recover its costs that are normally recovered through the distribution charge. Generator-only customers also have an incentive to avoid paying the monthly customer charge by disconnecting service, and request re-connection when a hurricane approaches.

Peoples states that at the end of 2003, it had 458 customers whose only gas-consuming appliance is the standby generator. Since then, an additional 636 customers have connected to Peoples' system with a standby generator as their only natural gas appliance.

The proposed generator rate schedules are designed to allow Peoples to recover its costs of providing gas service to generator-only customers. Based on the cost of service study filed in the 2002 rate case,¹ Peoples developed a monthly customer charge that recovers Peoples' customer-related and distribution-related costs. The average residential customer uses 20.8 therms per month, resulting in a \$17.82 monthly gas bill (customer and distribution charge). The proposed customer charge for the RS-SG rate schedule is \$17.82, and the distribution charge for usage between 0 and 20.8 therms is \$0. For usage over 20.8 therms, the otherwise applicable residential distribution charge applies. Peoples' used the same rate design to develop the CS-SG charges.

¹ Docket No. 020384-GU, In Re: Petition for Rate Increase by Peoples Gas System.

Customers choosing to take service under the proposed generator rate schedules are required to take service for a minimum 12-month period. If the customer installs an additional gas appliance at the premise, the customer will be transferred to the otherwise applicable rate schedule.

Finally, Peoples's proposed tariff includes a provision that requires a customer installing an electric generator to ensure that the installation and operation of the generator complies with the requirements of the electric utility from which the customer receives electric service. Electric utilities generally require generators to be properly installed to avoid energizing the electric lines when the generator is running.

Peoples states that upon the effectiveness of the new rate schedules, Peoples will give its current generator-only customers 30 days notice that the premise will be transferred to the new rate. Customers will have the option to terminate gas service if they choose not to take service under the new rate. Peoples provided in its petition an analysis showing the bill impact on existing generator-only customers that will transfer to the new rate schedule. The monthly gas bill for residential generator-only customers will increase between \$0 and \$10, depending on usage. Commercial generator-only customers will see small increases or decreases, depending on usage.

Staff has reviewed Peoples' proposed generator rate schedules and believes the proposed charges are reasonable and appropriately recover Peoples' cost of service to provide gas service to generator-only customers. This is an optional service for customers who wish to install generators as the only gas-appliance to provide electric service during periods of electric outages and the proposed charge is reasonable. Therefore, staff recommends approval of Peoples' petition.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, this tariff should become effective on June 5, 2007. If a protest is filed within 21 days of the issuance of the order, this tariff 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. (Fleming)

Staff Analysis: If Issue 1 is approved, this tariff should become effective on June 5, 2007. If a protest is filed within 21 days of the issuance of the order, this tariff 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.