

October 17, 2014

**E-PORTAL**

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

**Re: Joint Petition of Florida Public Utilities Company, Florida Public Utilities Company-Fort Meade, and Florida Public Utilities Company - Indiantown Division for Approval of Flexible Gas Service ("FGS") Tariff**

Dear Ms. Stauffer:

Attached for filing, please find the Joint Petition of Florida Public Utilities Company, Florida Public Utilities Company-Fort Meade, and Florida Public Utilities Company - Indiantown Division for Approval of Flexible Gas Service ("FGS") Tariff. Included with this filing are the following tariff pages in clean and legislative (tracked changes) versions:

FPUC:

Thirteenth Revised Sheet No. 23	Seventh Revised Sheet No. 32
Original Sheet No. 32.1	Original Sheet No. 32.2

Fort Meade:

First Revised Sheet No. 33	First Revised Sheet no. 57
Original Sheet No. 57.1	Original Sheet No. 57.2


Indiantown:

Third Revised Sheet No. 20	Third Revised Sheet No. 28
Original Sheet No. 28.1	Original Sheet No. 28.2

Ms. Carlotta Stauffer, Clerk  
October 17, 2014  
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Thank you for your assistance with this filing. As always, please don't hesitate to contact me if you have any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Beth Keating", is written over a horizontal line.

Beth Keating  
Gunster, Yoakley & Stewart, P.A.  
215 South Monroe St., Suite 601  
Tallahassee, FL 32301  
(850) 521-1706

MEK

Enclosures

cc://(Office of Public Counsel)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint Petition by the Florida Public Utilities Company, Florida Public Utilities Company – Fort Meade, and Florida Public Utilities Company – Indiantown Division for authority to Implement Proposed Flexible Gas Service Rate	DOCKET NO. DATED: October 17, 2014
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**JOINT PETITION FOR AUTHORITY TO IMPLEMENT PROPOSED FLEXIBLE GAS SERVICE TARIFF**

Florida Public Utilities Company, Florida Public Utilities Company – Fort Meade, and Florida Public Utilities Company – Indiantown Division (jointly herein “FPU” or the Companies), by and through their undersigned counsel, pursuant to Section 366.06, Florida Statutes, and in accordance with Rules 25-9.005, Florida Administrative Code, and 28-106.201, Florida Administrative Code, hereby respectfully petition the Florida Public Service Commission (FPSC or Commission) for approval of a new Flexible Gas Service (“FGS”) tariff for each of the Companies.

- 1) The principal business address of Florida Public Utilities Company is:

Florida Public Utilities Company  
1641 Worthington Road, Suite 220  
West Palm Beach, FL 33409

- 2) The name and mailing address of the persons authorized to receive notices are:

Beth Keating Gunster, Yoakley & Stewart, P.A. 215 South Monroe St., Suite 601 Tallahassee, FL 32301 (850) 521-1706	Cheryl Martin Florida Public Utilities Company 911 South 8th Street Fernandina Beach, FL 32034
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- 3) The Companies are each natural gas distribution companies subject to the regulatory jurisdiction of this Commission as prescribed in Chapter 366, Florida Statutes. Their substantial

## FPU Companies Petition for Approval of Flexible Gas Service

interests will be affected by the Commission's disposition of this Petition in that such disposition will determine whether the Companies will be permitted to incorporate the Flexible Gas Service option into their existing tariffs.

4) While new for FPU, the Commission has considered and approved Flexible Gas Service for other Florida distribution companies. The proposed tariff is consistent with the Flexible Gas Service tariff on file for FPU's sister company, the Florida Division of Chesapeake Utilities Corporation ("CHPK"), which was originally approved by Order No. PSC-98-1485-FOF-GU, issued November 5, 1998, in Docket No. 980895-GU. Florida City Gas ("FCG") also has a somewhat similar Flexible Gas Service tariff on file with the Commission, as approved by Order No. PSC-96-1218-FOF-GU.

5) While the CHPK and FCG tariffs were approved more than fifteen years ago, the rationale applicable then is largely still applicable. Over the years, various federal initiatives have transitioned the distribution of natural gas from a monopoly enterprise to a competitive environment. More and more, FPU is finding that customers, particularly large industrial customers, have multiple fuel options available to them, such as bypassing the Company's distribution system and connecting directly to the interstate pipeline, intrastate pipeline, other distribution systems or accessing fuel alternatives such as fuel oil or electric energy. In addition, customers are becoming increasingly aware of their ability to meet their energy requirements with alternative sources of energy. The authority to implement greater price flexibility is imperative to the Companies' ability to succeed in the present, highly competitive market.

6) In view of the changing energy market and emerging alternatives, the Companies now seek authority to implement a new Flexible Gas Service tariff. Implementation of this new service will enable FPU to exercise greater price flexibility with qualifying customers in order to

## FPU Companies Petition for Approval of Flexible Gas Service

remain competitive in the energy market. The tariff is designed to meet the Companies' need to compete for potential customers who have viable energy options in a way that assures that existing customers will never be called upon to subsidize contracts entered into pursuant to the FGS tariff.

7) The proposed FGS rates will apply, at the Companies' discretion, only to customers who affirmatively demonstrate that viable alternatives to the Companies' service exist such that deviation from the standard tariff options is warranted in order for FPU to have the opportunity to serve the customer. Only after receipt and review of a statement detailing a customer's alternatives would the Companies offer Flexible Gas Service to any customer.

8) Importantly, the Companies' proposed tariffs incorporate several protective measures, which are consistent with those established for CHPK in Order No. PSC-98-1485-FOF-GU. These protective measures are designed to ensure that existing customers will not be adversely affected by or otherwise subsidize FGS for new customers. To ensure that other customers have no responsibility for the costs attributable to this tariff, in future rate cases, the Companies will remove rate base, revenues and the administrative and operational costs of serving customers under the FGS Tariff so that other customers will not bear these costs. Additionally, the Companies will not attempt to recover from the other customers, the difference between the otherwise applicable tariff rate and the FGS contract rate, either through cost recovery clauses or during future base rate cases. This is the same degree of protection adopted for CHPK and for FCG when those companies' FGS tariffs were approved in Dockets Nos. 980895-GU and 960920-GU, respectively. With these protections in place, existing customers of the Companies' will be shielded from any additional costs associated with the Companies' competitive efforts, while the FGS tariffed rate will assist the Companies' efforts to be competitive.

## FPU Companies Petition for Approval of Flexible Gas Service

9) The rates for Flexible Gas Service will be set at a floor equivalent to the incremental cost of providing service to the customer. The Companies will exclude all incremental capital costs related to serving the customer from rate base and will retain all revenue received from these customers. While the Flexible Gas Service tariff is intended primarily to enable the Companies to compete effectively for new customers who have viable alternatives to the Companies' services, there may be instances in which the tariff could be applicable to existing customers. In such instances, in addition to excluding all incremental capital costs from rate base, the Companies will remove from rate base the depreciated cost of the service line, metering equipment, and any other facilities that were installed specifically to serve the customer.

10) The Companies' proposed FGS Tariff contemplates that the Companies will submit each executed contract entered into pursuant to the tariff to the Commission within 30 days of execution of the contract. The Companies will also submit additional information, which will include the name of the customer, the contract rate, and the customer's statement of the alternative energy sources available to the customer that justified the application of the FGS Tariff. The tariff prescribes that such information will be submitted to the Commission on a confidential basis. Because each contract will be separately negotiated, the Companies regard the confidentiality provisions as an essential component of the tariff, without the approval of which the Companies could not offer the program.

WHEREFORE, the Florida Public Utilities Company, Florida Public Utilities Company – Fort Meade, and Florida Public Utilities Company-Indiantown Division respectfully request that the Florida Public Service Commission authorize the Companies to implement their proposed Flexible Gas Service Tariff under the conditions and procedures set forth herein and to revise certain tariff sheets to be effective on the date of the Commission's vote.

FPU Companies Petition for Approval of Flexible Gas Service

RESPECTFULLY SUBMITTED this 17<sup>th</sup> day of October, 2014 .



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Beth Keating  
Florida Bar No. 0022756  
Gunster, Yoakley & Stewart, P.A.  
215 South Monroe St., Suite 601  
Tallahassee, FL 32301  
(850) 521-1706

*Attorneys for Florida Public Utilities Company,  
Florida Public Utilities Company – Fort Meade,  
and Florida Public Utilities – Indiantown Division*

**ATTACHMENT A**

**FLEXIBLE GAS SERVICE TARIFF SHEETS**

**(CLEAN AND LEGISLATIVE FORMAT)**



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Thirteenth, Revised Sheet No. 23  
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FLEXIBLE GAS SERVICE  
Rate Schedule FGS

Objective:

The objective of this service classification is to enable the Company the opportunity to compete in markets where natural gas service is not a monopoly service.

This tariff provides the Company with both the opportunity and risk to compete in these markets. It is designed to increase load by working with customers with regard to the specific terms and conditions of service.

This tariff places the Company's shareholders at risk, not the general body of ratepayers (see rate-making treatment).

Applicability:

This service is available at the Company's option to customer(s) meeting the applicability standards, which include (1) the customer must provide the Company with a viable economic energy alternative including verifiable documentation of customer alternative and (2) the Company must demonstrate that this new customer will not cause any additional cost to the Company's other rate classes. The Company is under no obligation to grant service under this tariff. Absent a service agreement with the Company under this rate schedule, customers are under no obligation to accept service under this rate schedule, and may elect to receive service under other applicable tariff rate schedules.

Terms of service under this rate schedule, including pressure, capital repayment, operating conditions and length of service are separately set forth in individual agreements between the Company and the Customers.

(Continued to Sheet 32.1)

Issued by: Jeffrey Householder, President

Effective:

~~Seventh, Revised Sheet No. 32~~  
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FLEXIBLE GAS SERVICE  
Rate Schedule FGS

Objective:

The objective of this service classification is to enable the Company the opportunity to compete in markets where natural gas service is not a monopoly service.

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Terms of service under this rate schedule, including pressure, capital repayment, operating conditions and length of service are separately set forth in individual agreements between the Company and the Customers.

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FLEXIBLE GAS SERVICE  
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Monthly Rate:

The rate will be developed based on economic market conditions at the time gas service is requested. The rate shall not be set lower than the incremental cost the Company incurs to serve the Customer.

Confidentiality:

The Company and Customer each regard the terms and conditions of the negotiated service agreement as confidential, proprietary business information.

The Company and Customer agree to utilize all reasonable and available measures to guard the confidentiality of said information, subject to requirements of courts and agencies having jurisdiction hereof.

In the event either party is asked to provide the information by such a court or agency, it will promptly inform the other of the request, and will cooperate in defending and maintaining the confidentiality of the information.

This provision shall not prohibit or restrict the FPSC from reviewing the service agreement in the performance of its duties, but the FPSC shall treat the service agreement as a confidential document. Within 30 days after a service agreement has been executed under this rate schedule, the Company shall file the service agreement and related documents with the Commission's Division of Records and Reporting for review by the Commission Staff who shall treat them as confidential documents.

Rate-Making Treatment:

To the extent that the Company enters into flexible gas service agreements with customers, the Company is at risk for the capital investment necessary to serve the flexible gas service tariff customers, not the general body of ratepayers.

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FLEXIBLE GAS SERVICE  
(Continued from Sheet 32)

Monthly Rate:

The rate will be developed based on economic market conditions at the time gas service is requested. The rate shall not be set lower than the incremental cost the Company incurs to serve the Customer.

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The Company and Customer each regard the terms and conditions of the negotiated service agreement as confidential, proprietary business information.

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To the extent that the Company enters into flexible gas service agreements with customers, the Company is at risk for the capital investment necessary to serve the flexible gas service tariff customers, not the general body of ratepayers.

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FLEXIBLE GAS SERVICE  
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Rate Base:

In the case of providing service to a new customer under this tariff, the Company will identify the incremental capital costs, including construction work-in-progress, required to provide service to the customer. In this instance, the Company will separately account for all such costs, excluding them from rate base.

Where the customer is served from the Company's existing distribution system, a portion of the net book value of common distribution facilities, including mains and measuring and regulating stations, reflecting the customer's distance from the nearest point on an Interstate Gas Pipeline and the size of pipe required to serve that customer's peak demand for gas shall be removed from rate base.

In the case of transferring an existing customer to this tariff, in addition to excluding all incremental capital costs and common distribution facilities from rate base, the net book value of mains, service line, and metering equipment that were specifically installed to serve the particular customer shall be removed from rate base.

Operating, Maintenance and Administrative Expenses:

The Company will specifically identify all incremental costs, if any, associated with the flexible gas service tariff Customer. These expenses will primarily be related to the incremental capital required to serve the customer. In addition, the Company will allocate embedded costs including general distribution and maintenance, meter reading, customer billing and accounting, sales, and administrative expenses.

In future rate cases and earnings surveillance reports, the Company will exclude all operating, maintenance, and administrative costs related to this tariff as determined by this methodology.

Depreciation and Amortization Expenses:

The Company will exclude all depreciation and amortization expenses related to this tariff in future rate cases and in its earnings surveillance report. Depreciation and amortization expenses may be incremental and/or allocated and will be determined based on the rate base allocated to each customer under this tariff as defined above.

Revenue and Related Taxes:

Revenues related to this tariff will be excluded from regulated revenues. In filing earnings surveillance reports, the Company will remove actual revenues related to this tariff, as well as revenue related taxes and income taxes from its calculation of FPSC adjusted rate of return.

All cost allocation related to this tariff shall remain subject to FPSC audit.

Florida Public Utilities Company  
F.P.S.C. Gas Tariff

Third Revised Volume No. 1

Original Sheet No. 32.2

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FLEXIBLE GAS SERVICE  
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Rate Base:

In the case of providing service to a new customer under this tariff, the Company will identify the incremental capital costs, including construction work-in-progress, required to provide service to the customer. In this instance, the Company will separately account for all such costs, excluding them from rate base.

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In future rate cases and earnings surveillance reports, the Company will exclude all operating, maintenance, and administrative costs related to this tariff as determined by this methodology.

Depreciation and Amortization Expenses:

The Company will exclude all depreciation and amortization expenses related to this tariff in future rate cases and in its earnings surveillance report. Depreciation and amortization expenses may be incremental and/or allocated and will be determined based on the rate base allocated to each customer under this tariff as defined above.

Revenue and Related Taxes:

Revenues related to this tariff will be excluded from regulated revenues. In filing quarterly earnings surveillance reports, the Company will remove actual revenues related to this tariff, as well as revenue related taxes and income taxes from its calculation of FPSC adjusted rate of return.

All cost allocation related to this tariff shall remain subject to FPSC audit.

Issued by: Jeffrey Householder, President

Effective:



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FLEXIBLE GAS SERVICE  
Rate Schedule FGS

Objective:

The objective of this service classification is to enable the Company the opportunity to compete in markets where natural gas service is not a monopoly service.

This tariff provides the Company with both the opportunity and risk to compete in these markets. It is designed to increase load by working with customers with regard to the specific terms and conditions of service.

This tariff places the Company's shareholders at risk, not the general body of ratepayers (see rate-making treatment).

Applicability:

This service is available at the Company's option to customer(s) meeting the applicability standards, which include (1) the customer must provide the Company with a viable economic energy alternative including verifiable documentation of customer alternative and (2) the Company must demonstrate that this new customer will not cause any additional cost to the Company's other rate classes. The Company is under no obligation to grant service under this tariff. Absent a service agreement with the Company under this rate schedule, customers are under no obligation to accept service under this rate schedule, and may elect to receive service under other applicable tariff rate schedules.

Terms of service under this rate schedule, including pressure, capital repayment, operating conditions and length of service are separately set forth in individual agreements between the Company and the Customers.

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Issued by: Jeffrey Householder, President

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FLEXIBLE GAS SERVICE  
Rate Schedule FGS

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FLEXIBLE GAS SERVICE  
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Monthly Rate:

The rate will be developed based on economic market conditions at the time gas service is requested. The rate shall not be set lower than the incremental cost the Company incurs to serve the Customer.

Confidentiality:

The Company and Customer each regard the terms and conditions of the negotiated service agreement as confidential, proprietary business information.

The Company and Customer agree to utilize all reasonable and available measures to guard the confidentiality of said information, subject to requirements of courts and agencies having jurisdiction hereof.

In the event either party is asked to provide the information by such a court or agency, it will promptly inform the other of the request, and will cooperate in defending and maintaining the confidentiality of the information.

This provision shall not prohibit or restrict the FPSC from reviewing the service agreement in the performance of its duties, but the FPSC shall treat the service agreement as a confidential document. Within 30 days after a service agreement has been executed under this rate schedule, the Company shall file the service agreement and related documents with the Commission's Division of Records and Reporting for review by the Commission Staff who shall treat them as confidential documents.

Rate-Making Treatment:

To the extent that the Company enters into flexible gas service agreements with customers, the Company is at risk for the capital investment necessary to serve the flexible gas service tariff customers, not the general body of ratepayers.

(Continued to Sheet No. 57.2)

FLEXIBLE GAS SERVICE  
(Continued from Sheet No. 57)

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(Continued to Sheet No. 57.2)

FLEXIBLE GAS SERVICE  
(Continued from Sheet 57.1)

Rate Base:

In the case of providing service to a new customer under this tariff, the Company will identify the incremental capital costs, including construction work-in-progress, required to provide service to the customer. In this instance, the Company will separately account for all such costs, excluding them from rate base.

Where the customer is served from the Company's existing distribution system, a portion of the net book value of common distribution facilities, including mains and measuring and regulating stations, reflecting the customer's distance from the nearest point on an Interstate Gas Pipeline and the size of pipe required to serve that customer's peak demand for gas shall be removed from rate base.

In the case of transferring an existing customer to this tariff, in addition to excluding all incremental capital costs and common distribution facilities from rate base, the net book value of mains, service line, and metering equipment that were specifically installed to serve the particular customer shall be removed from rate base.

Operating, Maintenance and Administrative Expenses:

The Company will specifically identify all incremental costs, if any, associated with the flexible gas service tariff Customer. These expenses will primarily be related to the incremental capital required to serve the customer. In addition, the Company will allocate embedded costs including general distribution and maintenance, meter reading, customer billing and accounting, sales, and administrative expenses.

In future rate cases and earnings surveillance reports, the Company will exclude all operating, maintenance, and administrative costs related to this tariff as determined by this methodology.

Depreciation and Amortization Expenses:

The Company will exclude all depreciation and amortization expenses related to this tariff in future rate cases and in its earnings surveillance report. Depreciation and amortization expenses may be incremental and/or allocated and will be determined based on the rate base allocated to each customer under this tariff as defined above.

Revenue and Related Taxes:

Revenues related to this tariff will be excluded from regulated revenues. In filing earnings surveillance reports, the Company will remove actual revenues related to this tariff, as well as revenue related taxes and income taxes from its calculation of FPSC adjusted rate of return.

All cost allocation related to this tariff shall remain subject to FPSC audit.

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*FLEXIBLE GAS SERVICE*  
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Issued by: Jeffrey Householder, President

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**RATE SCHEDULES AND BILLING ADJUSTMENTS**

<u>Symbol</u>	<u>Title</u>	<u>Sheet No.</u>
TS - 1	Transportation Service - 1	21
TS - 2	Transportation Service - 2	22
TS - 3	Transportation Service - 3	23
TS - 4	Transportation Service - 4	25
TPS	Third Party Supplier	26.1
TS - NGV	Transportation Service - NGV	27
FGS	Flexible Gas Service	28 - 28.2
Rider CTS	Contract Transportation Service Rider	29
BA	Billing Adjustments	32

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FLEXIBLE GAS SERVICE  
Rate Schedule FGS

Objective:

The objective of this service classification is to enable the Company the opportunity to compete in markets where natural gas service is not a monopoly service.

This tariff provides the Company with both the opportunity and risk to compete in these markets. It is designed to increase load by working with customers with regard to the specific terms and conditions of service.

This tariff places the Company's shareholders at risk, not the general body of ratepayers (see rate-making treatment).

Applicability:

This service is available at the Company's option to customer(s) meeting the applicability standards, which include (1) the customer must provide the Company with a viable economic energy alternative including verifiable documentation of customer alternative and (2) the Company must demonstrate that this new customer will not cause any additional cost to the Company's other rate classes. The Company is under no obligation to grant service under this tariff. Absent a service agreement with the Company under this rate schedule, customers are under no obligation to accept service under this rate schedule, and may elect to receive service under other applicable tariff rate schedules.

Terms of service under this rate schedule, including pressure, capital repayment, operating conditions and length of service are separately set forth in individual agreements between the Company and the Customers.

(Continued to Sheet 28.1)

Issued by: Jeffrey Householder, President

Effective:

Florida Public Utilities Company, Indiantown Division  
Original Volume No. 2

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FLEXIBLE GAS SERVICE  
Rate Schedule FGS

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Issued by: Jeffrey Householder, President

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FLEXIBLE GAS SERVICE  
(Continued from Sheet No. 28)

Monthly Rate:

The rate will be developed based on economic market conditions at the time gas service is requested. The rate shall not be set lower than the incremental cost the Company incurs to serve the Customer.

Confidentiality:

The Company and Customer each regard the terms and conditions of the negotiated service agreement as confidential, proprietary business information.

The Company and Customer agree to utilize all reasonable and available measures to guard the confidentiality of said information, subject to requirements of courts and agencies having jurisdiction hereof.

In the event either party is asked to provide the information by such a court or agency, it will promptly inform the other of the request, and will cooperate in defending and maintaining the confidentiality of the information.

This provision shall not prohibit or restrict the FPSC from reviewing the service agreement in the performance of its duties, but the FPSC shall treat the service agreement as a confidential document. Within 30 days after a service agreement has been executed under this rate schedule, the Company shall file the service agreement and related documents with the Commission's Division of Records and Reporting for review by the Commission Staff who shall treat them as confidential documents.

Rate-Making Treatment:

To the extent that the Company enters into flexible gas service agreements with customers, the Company is at risk for the capital investment necessary to serve the flexible gas service tariff customers, not the general body of ratepayers.

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FLEXIBLE GAS SERVICE  
(Continued from Sheet No. 28)

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FLEXIBLE GAS SERVICE  
(Continued from Sheet 28.1)

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