

State of Florida



# Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

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COMMISSION  
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**DATE:** November 18, 2015

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

**FROM:** Division of Economics (Rome, Draper) *CRC ED PD BR*  
Office of the General Counsel (Villafrate) *JSC*

**RE:** Docket No. 150220-GU – Petition for approval of tariff modifications related to the swing service charge, by Peoples Gas System.

**AGENDA:** 12/03/15 – Regular Agenda – Tariff Filing – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** 8-Month Effective Date: 6/9/2016 (60-day suspension date waived by the utility)

**SPECIAL INSTRUCTIONS:** Please place this item immediately following the item for Docket No. 150221-GU on the Agenda

## Case Background

On October 9, 2015, Peoples Gas System (Peoples) filed a petition for approval of tariff modifications related to its swing service charge. The swing service charge is assessed to all customers who take service under Peoples' Natural Choice Transportation Service program called Rider NCTS.

The swing service charge was first approved in 2000 when Peoples filed numerous tariff changes to make transportation service available to all non-residential customers pursuant to Rule 25-7.0335, Florida Administrative Code (F.A.C.).<sup>1</sup> The proposed tariff changes are shown in

<sup>1</sup> Order No. PSC-00-1814-TRF-GU, issued October 4, 2000, in Docket No. 000810-GU, *In re: Petition for approval of modifications to tariff provisions governing transportation of customer-owned gas and tariff provisions to implement Rule 25-7.0335, F.A.C., by Tampa Electric Company d/b/a Peoples Gas System.*

Docket No. 150220-GU  
Date: November 18, 2015

Attachment A to the recommendation. The tariff page is in legislative format to display the proposed changes. In its petition, Peoples waived the 60-day file and suspend provisions of Section 366.06(3), Florida Statutes, (F.S.).

On October 12, 2015, the Office of Public Counsel (OPC) filed a notice of intervention in the docket and on October 21, 2015, Peoples, OPC and staff met in a noticed meeting. During its evaluation of the petition, staff issued a data request to Peoples for which a response was received on October 26, 2015. The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.05, and 366.06, F.S.

## Discussion of Issues

**Issue 1:** Should the Commission approve Peoples' tariff modifications related to the swing service charge?

**Recommendation:** Yes. The Commission should approve the tariff modifications related to the swing service charge to become effective as of the date of the Commission's vote. (Rome, Draper)

**Staff Analysis:** The swing service charge is assessed to all customers who choose to take transportation service under Rider NCTS. The Rider allows residential customers with an annual consumption of 2,000 or more therms and non-residential firm customers to use a third party supplier or pool manager to meet their natural gas requirements. The NCTS customer is part of a group of customers called a customer pool. The pool manager assumes the responsibility for supplying and managing the natural gas supply for a customer pool. Currently, NCTS customers can choose from 15 pool managers. Peoples receives gas delivered by the pool manager and redelivers the gas to the customer's site. Peoples introduced the NCTS program in 2000 and it has grown from 3,398 customers in October 2000 to 22,123 customers as of December 2014. Customers who buy their gas from Peoples are referred to as sales customers and are subject to Peoples' purchased gas adjustment (PGA) charges.

The pool managers deliver the monthly gas supply for their customer pool at a constant level every day 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 for sales and NCTS customers with operational purchases or sales. The cost to manage the customer swing is included in the calculation of the PGA. A portion of the cost is paid by the NCTS customers via the swing service charge mechanism. The revenues derived from the swing service charge are credited to the PGA. The sales customers' share of the swing service costs remain embedded in the PGA.

### Swing Service Charge Methodology

Peoples' methodology for determining the level of the swing service charge is consistent with the methodology approved in Commission Order No. PSC-00-1814-TRF-GU.<sup>2</sup> First, the swing service cost is estimated on a system-wide basis. Costs are estimated based on six primary tools used by Peoples to balance its system:

- Reserve capacity – interstate and intrastate pipeline capacity contracted to be available when customer usage increases.
- Swing gas supply – typically purchased on the spot market at varying levels of quantity and price.

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<sup>2</sup> Id.

- No-notice transportation service – purchased from interstate pipelines at tariffed rates and allows system imbalances to be absorbed by the interstate pipeline.
- Storage contracts – scheduling of gas in or out of a storage facility (typically subterranean salt domes outside of Florida) to efficiently manage supply constraints, demand reductions, and price volatility.
- Swing sale agreements – agreements with large interruptible customers that have the ability to use alternative fuel to sell their gas supply to Peoples and switch to the customer’s alternative fuel source.
- Park and loan services – an interruptible service which gives Peoples the flexibility of putting gas in an upstream pipeline’s system for later use or borrowing gas from an upstream pipeline’s system and paying back the volume at a later date.

Once the system-wide swing service 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 balancing cost assigned to each rate class is divided by the annual consumption of that class to yield the appropriate swing charge.

### **Proposed Swing Service Charge Modifications**

Peoples proposed to update the swing service charges to reflect Peoples’ current cost of providing swing service. Specifically, the proposed swing service charge revisions incorporate the following: (a) updated no-notice transportation service charges from Florida Gas Transmission Company, (b) updated costs associated with reserved upstream pipeline capacity that Peoples holds to ensure enough upstream capacity to meet customer demand during peak months, and (c) updated calculations of the swing service charge to include additional storage contracts, swing sale agreements from interruptible customers, and park and loan services provided by upstream pipelines.

As shown in Exhibit A to the petition, the current total annual expenses associated with providing swing service are \$12,622,934 compared to \$6,342,232 when the swing service charge was approved in 2000. However, the number of NCTS customers and associated therm usage has also increased in recent years, allowing Peoples to spread the increased swing service costs over more therms. Exhibit A to the petition also shows customer bill impacts of the revised swing charges for the various commercial rate schedules. Residential customers take sales service only and therefore do not pay a swing service charge.<sup>3</sup>

The swing service charge modifications proposed by Peoples include NCTS customers’ portion of the reservation charges that Peoples would pay to SeaCoast Gas Transmission Company, L.L.C. (SeaCoast) pursuant to a firm transportation service agreement for which SeaCoast is requesting approval in Docket No. 150221-GU. In response to staff’s data request, Peoples

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<sup>3</sup> Very large residential customers using 2,000 therms or more annually must take service under Peoples’ Small General Service tariff, and qualify for Rider NCTS.

provided information (confidential) regarding the amount of reservation charges that Peoples would pay SeaCoast under that transportation service agreement and the relative impact of those charges on Peoples' proposed swing service charge modifications in this docket. Based on a review of the information provided by Peoples, the reservation charges associated with the SeaCoast-Peoples transportation agreement would have a de minimis effect on Peoples' proposed swing service charge factors in this docket.

### **Conclusion**

The swing service charge has not been updated during its 15-year existence and the number of NCTS customers has increased significantly during that time frame. Peoples stated in the instant petition that it contemplates periodic filings to update the swing service charge. Updating the costs associated with providing the system balancing service that the swing service charge is designed to recover ensures an appropriate allocation of costs between NCTS and sales customers. Based on a review of the petition and information provided by Peoples in response to staff's data request, staff believes that Peoples' proposed swing service charge tariff modifications are reasonable. Staff recommends that the Commission approve the tariff modifications to the swing service charge to become effective as of the date of the Commission's vote.

**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. (Villafrate)

**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.

Peoples Gas System  
a Division of Tampa Electric Company  
Original Volume No. 3

Fourth Revised Sheet No. 7.101-3  
Cancels Third Revised Sheet No. 7.101-3

## 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	\$0.00710417 per Therm
Natural Gas Vehicle Service	\$0.04350289 per Therm
General Service 1	\$0.02080445 per Therm
General Service 2	\$0.02170426 per Therm
General Service 3	\$0.02340426 per Therm
General Service 4	\$0.00790426 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.

Issued By: Gordon L. Gillette, President  
Issued On:

Effective: