

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: November 26, 2019

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Ward) *nsc* *EJD* *ow* *PH*
Office of the General Counsel (Lherisson) *BL* *TL* *for JE*

RE: Docket No. 20190191-GU – Petition for approval to amend tariff provisions on capacity for transportation service to be consistent with tariff filed with rate case settlement, by Florida City Gas.

AGENDA: 12/10/19 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 60-day suspension date waived by the utility until 12/10/19

SPECIAL INSTRUCTIONS: None

Case Background

On October 10, 2019, Florida City Gas (City Gas or utility) filed a petition for approval to amend tariff provisions to be consistent with the tariff filed with its 2017 rate case Stipulation and Settlement (settlement). In City Gas's 2017 rate case, the Commission approved a settlement among the parties to the case.¹ On March 26, 2018, the tariffs implementing the settlement were entered into the rate case record as Hearing Exhibit 121. On April 12, 2018, the utility resubmitted the settlement tariffs in their entirety to address minor edits and corrections identified by staff on certain pages, including tariff Sheet No. 22. The tariffs as submitted on April 12, 2018, were attached to the Commission's final order in the 2017 rate case (Order No. PSC-2018-0190-FOF-GU).

¹ Order No. PSC-2018-0190-FOF-GU, issued April 20, 2018, in Docket No. 20170179-GU, *In re: Petition for rate increase by Florida City Gas.*

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Docket No. 20190191-GU

Date: November 26, 2019

City Gas states in the instant petition that it recently came to the utility's attention that tariff Sheet No. 22, as refiled on April 12, 2018, and attached to the order approving the settlement, does not accurately reflect the settlement terms the parties to the settlement agreed on. Therefore, City Gas filed this petition to revise tariff Sheet No. 22 to reflect the tariff that was originally included in Hearing Exhibit 121. Tariff Sheet No. 22 addresses the utility's allocation of interstate pipeline capacity to its sales and transportation customers.

During the review process of the current petition, staff issued one data request to the utility, for which responses were received on November 6, 2019. The proposed tariff sheet is shown in Attachment A to the recommendation. The utility waived the 60-day file and suspend provision of Section 366.06(3), Florida Statutes (F.S.), until December 10, 2019. 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 City Gas's proposed changes to Tariff Sheet No. 22?

Recommendation: Yes. The Commission should approve City Gas's proposed changes to Tariff Sheet No. 22. The proposed tariff should be effective December 10, 2019. (Ward)

Staff Analysis: In City Gas's 2017 rate case, witness Becker testified about the utility's capacity on the interstate pipeline. Capacity is the amount of space that City Gas has reserved on the Florida Gas Transmission (FGT) interstate pipeline. The space on the interstate pipeline allows City Gas to buy natural gas and transport it to their service territory. The cost of the capacity, or the reservation fee, is paid to the interstate pipeline. City Gas has firm capacity contracts with FGT that vary by season with the highest capacity being held in the winter when customers require more natural gas.

Witness Becker further explained the difference between sales and transportation customers. Sales customers are those customers who receive their supply of natural gas from the utility. Transportation customers are those customers who only contract for the transport of natural gas on City Gas's system, but do not get their supply of natural gas from the utility. City Gas also defines a subset of Transportation customers known as Essential Use Transportation (essential use) customers who require natural gas service for health and safety reasons. City Gas asserted in the rate case that the utility needs to hold capacity for the essential use customers as a backup supply, because their needs are critical in nature. City Gas does not hold capacity for non-essential use transportation customers as the third party gas marketer supplying these customers with the gas commodity is responsible for making capacity arrangements on FGT.

Tariff Sheet No. 22 addresses the utility's allocation of capacity to third party suppliers. City Gas stated in the instant petition that the current tariff is not consistent with the negotiated rate case settlement and does not provide clarity for when City Gas can release capacity to third party marketers.

The proposed tariff language is designed to clarify the process under which the utility will release capacity to third party marketers. In general, capacity releases are posted on an electronic bulletin board administered by FGT. Under the proposed tariff, City Gas may not release capacity unless and until the utility holds sufficient capacity to serve its sales and essential use customers. Once City Gas has enough capacity to serve 100 percent of the pipeline capacity necessary to serve its sales and essential use customers, the utility will be required to release capacity. City Gas states that this language is intended to ensure that essential use customers are protected if their third party supplier is unable to deliver the gas. The proposed language also ensures sales customers are not allocated additional costs as a result of additional capacity being acquired to support the utility's transportation customers.

Conclusion

The signatories to the settlement were City Gas, the Office of Public Counsel (OPC), and Federal Executive Agencies (FEA). The utility stated that OPC has indicated that they do not oppose their request to make this tariff correction and FEA has not responded. On November 19, 2019, Commission staff also contacted FEA in regards to the tariff correction. FEA has not yet

responded to staff. Staff has reviewed City Gas's filings and supporting documentation and believes that the revisions to Tariff Sheet No. 22 are consistent with the settlement and with the tariffs entered into the rate case record as Hearing Exhibit 121. Therefore, staff recommends approval of City Gas's amended Tariff Sheet No. 22. The proposed tariff should be effective December 10, 2019.

Issue 2: Should this docket be closed?

Recommendation: Yes. 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. (Lherisson)

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 City Gas
FPSC Natural Gas Tariff
Volume No. 10

First Revised Sheet No. 22
Cancels Original Sheet No. 22

RULES AND REGULATIONS (Continued)

15. TRANSPORTATION - SPECIAL CONDITIONS (Continued)

H. Facilities (Continued)

Prior to the initial receipt of service hereunder, unless agreed otherwise, Customer shall reimburse Company in accordance with the terms of the Transportation Service Agreement, for the cost of any facilities which are constructed, acquired, or expanded by Company to receive or deliver Customer's gas.

All facilities required to provide service under each applicable Rate Schedule shall be designed, constructed, installed, operated, and owned by Company, unless otherwise agreed to by Company.

Company's execution of a Transportation Service Agreement under each applicable Rate Schedule may be conditioned on Customer's agreement to pay the total incremental cost of such facilities as specified herein and in the Service Agreement.

I. Designated Pools

This section designates the Pools that have been adopted for the Company's service territory in order to facilitate the operation of the Company's system.

Basic Pools result from the physical characteristics of the Company's system and the location of the delivery points of the interstate pipeline companies.

The Company's service territory is composed of two Primary Pools, each of which is composed of one or more Basic Pools:

- (a) Brevard
- (b) Miami-Dade

J. Allocation, Assignment, of Capacity and Supply Assets

This section sets forth the method and provisions by which the Company will allocate, on an equal access, nondiscriminatory basis, the Company's Interstate Pipeline Capacity to a Third Party Supplier based upon the Average Daily Delivery Quantity ("ADDQ") and Demand Charge Quantity ("DCQ") of the Transportation Customers served by the Third Party Shipper.

The portion of the Company's Interstate Pipeline Capacity not associated with premises served by Third Party Supplier will remain with the Company. The Company will hold the capacity required to service its Customers on a Design Day plus a reserve margin not to be less than 5%. The Company will post on the Electronic Bulletin Board ("EBB") each allocation of the Company's Interstate Pipeline Capacity to a Third Party Supplier for viewing only by such Third Party Shipper. Until the Company has sufficient Interstate Pipeline Capacity to satisfy 100% of ~~the throughput on its distribution systems~~ Sales and Essential Use Customers throughput the Company may opt to not release capacity to Third Party Suppliers. Once adequate capacity is obtained to meet the Sales and Essential Use Customers' needs, capacity releases will be prioritized based upon Customer groups. The Company will first release Interstate Pipeline Capacity to service Cycle Read Customers (ADDQ) based upon Third Party Supplier market share.

Issued by: Carolyn Bermudez
Vice President, Florida City Gas

Effective: