

June 15, 2000

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000717-62

Ms. Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

Re: Petition For Authority To Implement Contract Transportation Service

Dear Ms. Bayo:

Enclosed for filing please find the original and twelve copies of the Petition of City Gas Company of Florida For Authority To Implement Contract Transportation Service.

Should you have any questions with respect to this filing, please contact me at (850) 877-5282.

Sincerely,



Michael A. Palecki  
NUI Corporation  
PMB 224  
3539 Apalachee Parkway  
Tallahassee, FL 32311  
(850) 877-5282

MAP/rt

Encl.

c: Wayne Makin

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: City Gas Company's )  
Petition for Authority to Implement )  
Contract Transportation Service )

Docket No. 000717-60  
Filed: June 15, 2000

**PETITION FOR AUTHORITY TO IMPLEMENT  
CONTRACT TRANSPORTATION SERVICE**

Pursuant to Section 366.07, Florida Statutes and Rule 25-9.005 Florida Administrative Code, City Gas Company of Florida, a division of NUI Corporation ("NUI City Gas" or "the Company"), hereby petitions the Florida Public Service Commission ("the Commission") for Approval of the NUI City Gas' proposed Contract Transportation Service tariff. In support of this petition, NUI City Gas states:

1. Federal and Florida Public Service Commission initiatives have transformed the natural gas industry from what was traditionally a monopoly enterprise to one of multiple providers participating in a competitive market. Energy customers, within and outside of the State of Florida, now have options. They have become increasingly aware of their ability to meet their energy requirements with alternative sources of energy and through physical relocation to geographic locations where energy is economically priced.

2. Over time, the Commission has recognized the changing markets faced by electric and natural gas utilities by providing them with a degree of flexibility in entering into contracts with large customers. The Commission approved Gulf Power Company's Commercial Industrial Service Rider (CISR) by Order PSC-96-1219-FOF-EI, issued September 24, 1996, in Docket No. 960789-EI. This Rider allows Gulf to enter into negotiated contracts with customers meeting a minimum threshold of new or retained load.

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The Commission approved a similar Commercial Industrial Service Rider for Tampa Electric Company through Order No. PSC-98-1081-FOF-EI, issued August 10, 1998, in Docket No. 980706-EI. Likewise, in Order No. PSC-98-0603-FOF-EI, issued April 28, 1998, in Docket No. 980294-EI, the Commission approved Florida Power and Light Company's (FPL) Economic Development Rider Rate Schedule (EDR). FPL's rider allows it to negotiate with new customers with a minimum load of 5,000 kW, or with existing customers who add additional load of 5,000 kW. In the case of an existing customer who chooses to expand, the discounted rate applies only to the additional load. In Order No. PSC-98-1222-FOF-EI, issued September 16, 1998 in Docket No. PSC-980766-EI, the Commission approved Florida Power Corporation's (FPC) Economic Development Rider. Florida Power Corporation's rider allows it to negotiate with new customers with a minimum load of 500kW, or with existing customers who add additional load of 500kW. For existing customers the negotiated rate applies only to additional load added to FPC's system. Both the FPL and the FPC tariffs allow the utilities to recover revenue shortfalls associated with the rate discount from their general body of ratepayers.

3. The Commission authorized Peoples Gas System to establish a Contract Transportation Service (CTS) tariff, which became effective June 17, 1997. Peoples' CTS rate permits Peoples to offer a transportation customer a negotiated contract rate that is as low as one cent per therm plus the customer charge. This tariff requires that the customer meet a threshold consumption level of 500,000 therms annually. The Commission's basis for allowing the ability to negotiate a contract rate is that a large consuming customer can have a great affect on the financial viability of the utility.

4. Like Peoples Gas, Gulf Power, FPL, TECO and FPC, NUI City Gas requires flexibility to compete effectively for customers who have viable energy alternatives, within and outside of the State of Florida. Through this petition, NUI City Gas seeks authority to implement a new Contract Transportation Service, similar to Peoples' CTS tariff. The proposed tariff has been designated Rate Schedule KTS, since NUI City Gas already has a Schedule CTS (Commercial Transportation Service) in its tariff book. A copy of proposed Rate Schedule KTS is attached hereto as Exhibit 1. The proposed tariff is designed to meet the Company's need to compete for potential customers who have viable energy options. Under the proposed KTS tariff, the negotiated rate may not be less than \$0.01 per therm, and may not be set lower than the incremental cost the Company incurs to serve the customer.

5. Under the proposed tariff, the general body of ratepayers will not be called upon to subsidize KTS contracts through a Competitive Rate Adjustment (CRA) mechanism. This degree of protection distinguishes the proposed KTS tariff from the Commission approved tariffs for Peoples, FPL and FPC, described above, which impose a per therm charge on the general body of ratepayers in order to collect revenue shortfalls under the tariff. NUI City Gas does not require use of a competitive rate adjustment mechanism in the proposed tariff, since it is the Company's intention that projects under KTS pay for themselves without contributions from the general body of ratepayers.

6. NUI City Gas' proposed Contract Transportation rates would apply to new and existing customers who bring significant new incremental load onto the Company's natural gas distribution system. The Company has set its threshold for service under the tariff at 250,000 therms per year. Like the tariffs of FPL and FPC, for existing customers this means

that an additional load of the threshold amount (250,000 therms) must be added to the Company's system and the negotiated KTS rate will only apply to the additional load added to the Company's system. Given the size of NUI City Gas (approximately one-third the number of customers as Peoples), we believe the 250,000-therm threshold is reasonable, as it represents a load that has a significant economic effect. In Docket No.000502, the Commission Staff recently recommended that Peoples Gas reduce its CTS threshold limits (currently set at 500,000 therms), in order to avoid the need for special Commission approval of individual contracts. Specifically, Staff suggested that Peoples modify its existing tariff to eliminate the discriminatory aspect of individual contract approval by the Commission. See Staff Recommendation in Docket No. 000502-GU, filed June 8, 2000. NUI City Gas accepts Staff's suggestion in setting its proposed KTS threshold at 250,000 therms.

7. NUI City Gas' existing customer base will not be adversely affected by the adoption of the Contract Transportation Service tariff. As stated above, the Company will not seek to recover the difference between the KTS rate and the otherwise applicable tariff rate through the Competitive Rate Adjustment Clause. The proposed tariff also requires that the negotiated rate not be less than the incremental cost to serve, and that the Company take reasonable steps to mitigate the potential of revenue shortfalls between revenues received under the contract and the cost to provide service to the customer. Such steps may include, but are not limited to, take or pay provisions, and capital repayment mechanisms. In this way, the KTS tariff will assist the Company to be competitive and at the same time existing customers should be shielded from risk.

8. NUI City Gas' proposed Contract Transportation Service Tariff contemplates that the Company will submit each contract entered pursuant to the tariff to the Commission within 30 days of execution of the contract. The tariff prescribes that such information will be submitted to the Commission on a confidential basis. Because each contract will be separately negotiated, NUI City Gas regards the confidentiality provision as an essential component of the tariff.

9. NUI City Gas could have proposed this tariff as a part of its general base rate petition to be filed on August 25, 2000. The Company has elected to pursue the KTS tariff separately because of the importance the tariff represents to the competitiveness of the Company. The authority to implement greater flexibility is imperative to NUI City Gas' ability to succeed in the present, highly competitive energy market.

**WHEREFORE,** NUI City Gas respectfully requests that the Florida Public Service Commission authorize the Company to implement its proposed Contract Transportation Service tariff under the conditions and procedures set forth herein.

Respectfully submitted this 15<sup>th</sup> day of June 2000.



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Michael A. Palecki  
**NUI CORPORATION**  
PMB 224  
3539 Apalachee Parkway  
Tallahassee, FL 32311  
(850) 877-5282

## EXHIBIT 1

### RATE SCHEDULE KTS Contract Transportation Service

#### Availability

Throughout the service area of the Company.

#### Objective

The objective of this service classification is to enable the Company to attach incremental load to its system by providing the Company with the flexibility to negotiate individual service agreements with customers taking into account competitive and economic market conditions and system growth opportunities.

#### Applicability

Transportation service is available under this rate schedule to any non-residential, commercial or industrial customer bringing a minimum new incremental demand of 250,000 additional therms per year to the Company's system at one location.

Terms of service including operating conditions and, if applicable, a capital repayment mechanism acceptable to Company, which may include, but shall not be limited to, a minimum monthly or annual bill, will be set forth in individual service agreements between the Company and the customer. Absent a service agreement with Company under this rate schedule, Company has no obligation to provide, and the customer shall have no right to receive, service under this rate schedule, and customer may elect to receive service under other applicable rate schedules.

#### Gas Supply Obligation

The Company shall have no obligation to provide natural gas supplies to customers under this rate schedule.

#### Monthly Rate

Transportation Charge: An amount negotiated between Company and customer, but not less than \$0.01 per therm. The rate shall not be set lower than the incremental cost the Company incurs to serve the customer. The transportation charge shall include any capital recovery mechanism. The transportation charge shall be determined by the Company based on Company's evaluation of competitive and overall economic market conditions and the opportunity for the Company to expand its system into areas not served with natural gas. Such evaluation may include, but is not necessarily limited to: the cost of gas which is available to serve customer; the delivered price and availability of customer's alternate fuel or energy source; the nature of the customer's operations (such as load factor, fuel efficiency, alternate fuel capacity, etc.); and the opportunity to extend gas service to areas not supplied with natural gas. With respect to existing customers, an additional load of at least 250,000 therms must be added, and the negotiated KTS rate will only apply to the additional load added to the Company's system.

### Interruption and Curtailment

Company shall have the right to reduce or completely curtail deliveries to Customer pursuant to this rate schedule:

- (A) If in Company's opinion, Customer will overrun the volume of gas to which it is entitled from its supplier (or overrun the volume of gas being delivered to Company for Customer's account); or
- (B) in the event Company is notified by its supplier or pipeline transporter to interrupt or curtail deliveries to Customer, or deliveries of gas for uses of the same type or category as Customer's use of gas hereunder; or
- (C) when necessary to maintain the operational reliability of Company's system

### 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 the 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.

### Special Conditions

1. Service under this rate schedule shall be subject to Section 11 of Rules and Regulations for Transportation – Special Conditions, except to the extent modified in a service agreement.
2. The rates set forth in this rate schedule shall be subject to the operation of the Company's Tax and Other Adjustments set forth on Sheet No. 26.
3. Service under this rate schedule shall be subject to the Rules and Regulations set forth in the tariff, except to the extent modified in a service agreement.
4. If the provision of service hereunder requires the installation of natural gas equipment at customer's facility, Company and customer may enter into an



agreement as to the terms and conditions regarding the reimbursement of costs relating to such equipment. The initial term of the service agreement shall, at a minimum, be equal to the period of cost reimbursement. The rates established in the Monthly Rates section may be adjusted to provide for such cost reimbursement to the Company including carrying costs.

5. Service under this rate schedule shall not be subject to the Competitive Rate Adjustment Clause.
6. When entering into a service agreement with a customer under this rate schedule, Company will take reasonable steps to mitigate the potential of any revenue shortfalls between the revenues received under a service agreement and the total cost and expenses relating to the associated capital investment made by the Company.