

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: July 9, 2015

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Draper) *EAD*
Office of the General Counsel (Barrera) *JSC MB*

RE: Docket No. 150139-GU – Joint petition of Florida Public Utilities Company, Florida Public Utilities Company-Fort Meade, Florida Public Utilities-Indiantown Division, and the Florida Division of Chesapeake Utilities Corporation for approval of revisions to commercial natural gas vehicle service programs.

AGENDA: 07/21/15 – Regular Agenda Conference – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 12/30/15 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

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Case Background

On April 30, 2015, Florida Public Utilities Company, Florida Public Utilities-Fort Meade, Florida Public Utilities-Indiantown Division, and the Florida Division of Chesapeake Utilities Corporation (jointly the companies) filed a joint petition requesting Commission approval of a modification to each of their respective natural gas vehicle (NGV) tariffs. The companies are owned by Delaware-based Chesapeake Utilities Corporation.

The NGV tariffs provide commercial customers with the option to buy natural gas for the purpose of compression and delivery into motor vehicle fuel tanks.¹ Under the NGV tariffs

¹ Order No. PSC-13-0395-PAA-GU, issued August 28, 2013, in Docket No. 130135-GU, In re: Joint petition of Florida Public Utilities Company, Florida Public Utilities-Indiantown Division and the Florida Division of

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customers purchase and own the compression and fueling equipment, while the companies install the necessary mains, service line, meters, and associated equipment necessary to deliver natural gas to the customer's compression and fueling station. Customers are responsible for purchasing their own gas. The NGV tariffs provide for the same charges, terms, and conditions across the companies.

On May 19, 2015, the companies filed a supplemental petition proposing revisions of associated administrative portions of their tariffs. Specifically, the companies wish to revise index pages and natural gas service agreement forms associated with the previously proposed tariff sheets. The companies waived, "to the extent necessary," the 60-day file and suspend provisions of Section 366.06(3), Florida Statutes (F.S.). The Commission has jurisdiction in this matter pursuant to Section 366.06, F.S.

Chesapeake Utilities Corporation for approval of Commercial Natural Gas Service Programs, and Order No. PSC-13-0676-TRF-GU, issued December 3, 2013, in Docket No. 130258-GU, In re: Petition for approval of tariff sheets reflecting gas service to customers in the City of Ft. Meade, by Florida Public Utilities Company.

Discussion of Issues

Issue 1: Should the Commission approve the companies' proposed tariff revision?

Recommendation: Yes. The proposed tariff revisions should be approved with an effective date of July 21, 2015. (Draper)

Staff Analysis: The current NGV tariffs for each of the companies include a \$100 monthly customer charge and a \$0.17111 per therm transportation charge. The cost of gas is separate. The charges were designed to recover the companies' estimated annual cost associated with installing the gas line and equipment necessary to deliver gas to a commercial fueling station, owned and maintained by the customer, based upon the projected annual usage of 250,000 therms for a fueling station.

For each customer requesting service under the NGV tariff, the companies perform an analysis to determine the customer-specific cost of service and revenues based on expected usage. This analysis is necessary to determine whether the tariffed NGV charges, that are based on average cost of service, will recover construction costs that vary between customers. Pursuant to Rule 25-7.054, Florida Administrative Code (F.A.C.) and the companies' tariffs on line extensions, the companies are allowed to request a contribution in aid of construction (CIAC) if the cost of the line extension is greater than the maximum allowable construction cost (MACC). The Rule defines the MACC as four times the estimated annual gas revenue to be derived from the facilities less the cost of gas.

The companies proposed to revise their tariffs to provide an additional method for customers to obtain and pay for NGV service in the event that the cost of service analysis demonstrates that the customer would need to be assessed a CIAC amount. Specifically, customers would be able to receive NGV service at a minimum annual therm commitment in lieu of an upfront CIAC payment, i.e., a take or pay provision. This option, if chosen by the customer, allows a line extension cost above the MACC to be recovered over time by the customer's monthly payments.

The companies' revised natural gas service agreement protects the company and other ratepayers with a requirement that, if the customer fails or refuses to take gas service, the customer will pay the actual cost incurred by the company in constructing the facilities to serve the customer. The agreement also specifies the term of the agreement that is mutually agreed on by the company and the customer. Furthermore, the agreement specifies that any customer deposits held by the company will be forfeited in payment or partial payment of the facility construction costs.

The companies stated in their petition that while they are able to provide natural gas as a vehicle fuel under their current tariffs, this additional payment option will give the companies another alternative to offer prospective NGV customers. This payment option will only be available in the event that incorporating a minimum annual commitment will result in the customer payments covering the cost to serve that customer. As such, the general body of ratepayers will not be at risk of subsidizing service to the NGV customer. Staff believes the proposed tariff language is consistent with Rule 25-7.054(3)(c), F.A.C., that provides for a utility to establish extension policies that are more favorable to consumers as long as no discrimination is practiced between consumers.

Attachment A shows the substantive proposed tariff language for FPUC under the section titled "Terms and Conditions." The proposed tariff revisions are the same for all four companies. The proposed NGV tariff revisions are designed to give the companies additional options to facilitate the expansion of NGV service to new customers, protect the general body of ratepayers from subsidizing NGV service, and are consistent with Rule 25-7.054, F.A.C. Staff recommends approval of the companies' proposed tariff modifications with an effective date of July 21, 2015.

Issue 2: Should this docket be closed?

Recommendation: Yes. If 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. (Barrera)

Staff Analysis: If 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 Public Utilities Company, Indiantown Division
Original Volume No. 2

Third Revised Sheet No. 27
Cancels Second Revised Sheet No. 27

TRANSPORTATION SERVICE-NGV

Rate Schedule TS-NGV

Availability:

Throughout the service area of the Company.

Applicability:

Individual Transportation Service available to non-residential customers through a separate meter for compression and delivery (through the use of equipment furnished by Consumer) into motor vehicle fuel tanks or other transportation containers and whose annual metered transportation volume is greater than 100,000 therms, and who enters into a Transportation Service Agreement with the Company. Aggregated Transportation Service may be available to customers in this service classification at the sole option of the authorized Pool Manager.

Monthly Rate:

Customer Charge:	\$100.00
Transportation Charge:	\$0.17111 per therm
Minimum Bill:	The Customer Charge.

Terms of Payment:

Bills are net and due upon receipt by the Customer and become delinquent if unpaid after expiration of twenty days from date of mailing.

Billing Adjustments:

1. The rates set forth above shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 32 – 35.

Terms and Conditions

Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service. In the event that the cost to serve the Customer approaches or exceeds the MACC, service contract may include, at the Customer's option, a minimum annual commitment in lieu of the advance in aid of construction otherwise required by the Extensions provisions of this tariff at Sheet No. 60.

Issued by: Jeffrey Householder, President

Effective: