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October 8, 2015

**VIA E-PORTAL/ELECTRONIC FILING**

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


**Re: Petition for approval to discontinue charging multiple purchased gas adjustment (PGA) factors, by Peoples Gas System**

Dear Ms. Stauffer:

Attached for electronic filing with the Commission on behalf of Peoples Gas System, please find Peoples' petition referenced above.

We appreciate your usual assistance.

Sincerely,

  
Ansley Watson, Jr.

AWjr/a  
Attachment

cc: Office of Public Counsel  
Ms. Kandi M. Floyd

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for approval to discontinue charging multiple purchased gas adjustment (PGA) factors, by Peoples Gas System. : DOCKET NO. :  
 : Submitted for Filing: 10-8-15 :  
 : :  
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**PETITION OF PEOPLES GAS SYSTEM  
FOR APPROVAL TO DISCONTINUE CHARGING  
MULTIPLE PURCHASED GAS ADJUSTMENT (PGA) FACTORS**

Peoples Gas System ("Peoples" or the "Company"), by its undersigned attorneys, files its petition for an order approving Peoples' discontinuance of its charging of multiple purchased gas adjustment ("PGA") factors for different classes of customers effective with bills rendered for the first billing cycle of the first month following the Commission's approval of this petition, and in support thereof says:

1. The name of the petitioner and the mailing address of its principal office is:

Peoples Gas System  
P. O. Box 111  
Tampa, Florida 33601-0111

2. The names and mailing address of the persons authorized to receive notices and communications with respect to this petition are:

Ansley Watson, Jr.  
Andrew M. Brown  
Ashley R. Kellgren  
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P. O. Box 1531  
Tampa, Florida 33601-1531

Ms. Paula K. Brown  
Manager Regulatory Coordination  
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Tampa, Florida 33601-0111

Ms. Kandi M. Floyd  
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**BACKGROUND**

3. By its Orders Nos. 24463 and 24463-A in Docket No. 910003-GU, the Commission

adopted a revised method for the recovery of purchased gas costs by regulated natural gas utilities, to be used for the recovery of such costs commencing October 1, 1991. These orders provide that a natural gas utility's purchased gas costs are to be recovered through a projected PGA factor for the period from April of one year, through March of the following year, with the projected PGA factor to serve as a cap, or "maximum" recovery factor. A "true-up" of the actual PGA revenues and expenses against the utility's original projections of such amounts was, and continues to be, a key feature of this cost recovery mechanism. By Order No. PSC-98-0691-FOF-PU, the Commission modified the timing of recovery of PGA costs to coincide with a calendar year beginning in January 1999.

4. The revised methodology was precipitated by the advent of "open access" on the Florida Gas Transmission Company ("FGT") interstate pipeline system. The first cost recovery hearings following adoption of the revised methodology were held in August 1991. In those hearings, the Florida Division of Chesapeake Utilities Corporation ("Chesapeake") petitioned the Commission for approval of two distinct PGA factors recognizing the different costs involved in serving different customer classes. In its Order No. 25064, issued in the Commission's continuing purchased gas cost recovery docket on September 13, 1991, and in response to Chesapeake's petition, the Commission stated:

"We find no reason to establish different factors for firm and interruptible rate classes. To the extent large volume interruptible customers contract for maximum daily demand requirements, the cost will be less than the levelized factor (cap) for the projected period, primarily due to individual load factors. Therefore, separate purchased gas cost recovery factors for firm and interruptible rate classes are not necessary.

"This does not preclude a utility from charging different customers different Purchased Gas Cost Recovery Factors beneath the approved cap for valid reasons. Examples of valid reasons include different methods of allocating or billing demand costs or the applicability of taxes or fees." (emphasis supplied)

The Commission had recognized the differences in PGA costs incurred for different customer classes and had permitted natural gas utilities to charge different PGA factors to different customers

or classes of customers.

5. In 1998, Peoples petitioned the Commission for approval of a methodology for charging separate PGA factors to residential and commercial customer classes. The Commission granted the petition, and approved Peoples' proposed methodology, by its Order No. PSC-99-0634-FOF-GU, issued April 5, 1999, in Docket No. 981698-GU.

#### **RELIEF REQUESTED**

6. Peoples' petition in the docket referenced above alleged, and the Commission's order approving that petition noted, that ". . . under the single PGA factor method, the residential class has not covered the cost to provide natural gas." This statement was made due to the winter-peaking properties of the residential rate class versus the generally less weather-sensitive load of commercial customers.

7. At the time Peoples petitioned the Commission in 1998, the natural gas market was vastly different than it is today. Interstate pipelines such as FGT and Southern Natural Gas Company, LLC ("SNG") had only recently become "open access" pipelines, converting the purchase "entitlements" of customers such as Peoples to transportation service in lieu of the sales entitlements that had previously existed on pipelines throughout the natural gas industry. Gulfstream Natural Gas System, LLC ("Gulfstream") had not yet built its interstate pipeline under the Gulf of Mexico to Florida, and was not a factor in Florida's natural gas transportation market. Virtually all of Peoples' commercial customers purchased their gas from the Company, the Company recovering its costs of the gas commodity and upstream pipeline transportation through the PGA clause.

8. Additionally, the Commission had not yet adopted Rule 25-7.0335, *Florida Administrative Code*. This rule, adopted in 2000, required (and continues to require) that all Florida Commission-regulated natural gas utilities make transportation service available to all non-residential customers. In order to comply with the rule, Peoples introduced its Natural Choice Transportation Service program (Rider NCTS), which was approved by the Commission's Order No.

PSC-00-1814-TRF-GU, issued on October 4, 2000, in Docket No. 000810-GU. Under the very successful NCTS program, a monthly release of upstream pipeline capacity is made by Peoples to a pool manager at Peoples' weighted average cost capacity, and the pool manager (a natural gas marketer) is able to deliver the aggregated requirements of the customers in its pool to Peoples on a daily basis, for further transportation by Peoples to the customers' locations.

9. The NCTS program has resulted in the migration of the majority of Peoples' commercial customers from "sales" service (under which they paid the PGA charge) to Rider NCTS transportation service. As of October 2000, there were 3,398 NCTS customers; as of December 2014, there were 22,123 such customers. Peoples submits that the separate PGA charges or factors calculated pursuant to the methodology the Commission approved in 1999 is no longer necessary, as it results in residential customers' bearing more of the costs included in the PGA charge than would be the case if the factor was calculated without reference to customer class (*i.e.*, as a single factor). Peoples also believes that changing from the "dual" PGA factors that have been in effect since 1999 will encourage even more commercial customers to participate in the Company's NCTS program.

10. As indicated above, market conditions for the supply of natural gas and upstream transportation have changed since 1999. The number of commercial customers on the Peoples system has risen significantly as Florida continues to grow economically. The environmental impacts of natural gas as opposed to other fuels may have assisted in this increase. The load patterns of commercial customers have also increased in terms of their "swings" on the Peoples system (*i.e.*, the daily variations between the customers' actual consumption and the gas delivered for their accounts by pool managers, or purchased by the Company to satisfy their gas requirements).

11. In the past, costs included in the calculation of the PGA factor were largely based on the cost of the gas commodity and upstream pipeline transportation capacity. Peoples intends to


include the new “products” that have developed since the advent of open access on upstream pipelines, including intrastate pipelines, such as park and loan service and storage, as costs for purposes of calculating a single PGA factor applicable to all “sales” customers. These relatively new services assist in providing competitive market prices for Peoples’ customers and assist in ensuring a stable supply of gas for the Peoples system. Most importantly, these new products or services are an integral and essential part of the costs incurred by Peoples to obtain the natural gas required to meet the daily demands of the customers on its system.

12. Peoples seeks the Commission’s approval to begin charging -- effective with the first billing cycle of the first month following the Commission’s approval of this petition -- a single PGA factor to all customers who are required to pay the purchased gas adjustment charge. That factor will be calculated in accordance with the methodology adopted by the Commission on May 2, 1991, by Order No. 24463 in Docket No. 910003-GU, the methodology that was in effect prior to Peoples’ being authorized to charge separate PGA factors to the residential and commercial customer classes. This will not impact the PGA negatively and the new process will be less administratively burdensome to PGS. There will be no change in the PGA “cap” approved by the Commission in the continuing PGA docket (currently Docket No. 150003-GU), and no changes to the PGA provisions in Peoples Commission-approved tariff will be required.

13. Attached hereto as Exhibit A is a comparison of the factors developed under the calculation currently being used by Peoples to calculate separate residential and commercial PGA factors with the factors developed under the proposed calculation of a single factor as provided by Order No. 24463. The effect of the change in calculation methodology on a typical residential customer (based on calculations of the average factors for calendar year 2014 (the most recent full year available) would be a decrease in the factor from \$0.8979 to \$0.8665, or a decrease of \$0.0314 per therm.

WHEREFORE, Peoples respectfully requests that the Commission enter its order approving the Company's proposed change from separate PGA factors for residential and commercial rate classes to a single PGA factor applicable to all sales customers, such single factor to be calculated pursuant to the methodology adopted by the Commission in Order No. 24463, such change to be effective as of the first billing cycle for the first month following the Commission's approval of this petition.

Respectfully submitted,



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**EXHIBIT A**  
**COMPARISON OF PGA FACTORS**



	<u>14-Jan</u>	<u>14-Feb</u>	<u>14-Mar</u>	<u>14-Apr</u>	<u>14-May</u>	<u>14-Jun</u>	<u>14-Jul</u>	<u>14-Aug</u>	<u>14-Sep</u>	<u>14-Oct</u>	<u>14-Nov</u>	<u>14-Dec</u>	<u>Average 2014 PGA</u>
Combined PGA	\$ 0.8807	\$ 0.8638	\$ 0.8442	\$ 0.8702	\$ 0.8514	\$ 0.8853	\$ 0.8863	\$ 0.8923	\$ 0.8660	\$ 0.8581	\$ 0.8447	\$ 0.8550	\$ 0.8665
Residential PGA	\$ 0.8811	\$ 0.8811	\$ 0.8811	\$ 0.8811	\$ 0.8811	\$ 0.9185	\$ 0.9185	\$ 0.9185	\$ 0.8985	\$ 0.8985	\$ 0.8985	\$ 0.9185	\$ 0.8979
Commercial PGA	\$ 0.8807	\$ 0.8398	\$ 0.7965	\$ 0.8538	\$ 0.8110	\$ 0.8401	\$ 0.8417	\$ 0.8549	\$ 0.8214	\$ 0.7852	\$ 0.7523	\$ 0.7553	\$ 0.8194
Residential Reduction												\$ (0.0314)	