

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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COMMISSION
CLERK

DATE: May 24, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Rome, Draper) *CR* *ED*
Office of the General Counsel (Brownless) *MB* *med*

RE: Docket No. 170090-GU – Petition for approval of tariff modifications to natural gas tariff, in compliance with recent amendment to Florida statutes and Commission rules, by Peoples Gas System.

AGENDA: 06/05/17 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 06/19/17 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: Place following Docket No. 170088-EI

Case Background

On April 20, 2017, Peoples Gas System (Peoples or Company) filed a petition requesting Commission approval of amendments to Tariff Sheet Nos. 5.301, 5.301-1, and 5.301-2 (Deposits). During the 2015 session, the Florida Legislature enacted House Bill 7109 which was incorporated into Chapter 2015-129, Laws of Florida. Among other things, the legislation created Section 366.05(1)(b) and (c), Florida Statutes (F.S.). Paragraph (1)(b) addresses billing periods and Paragraph (1)(c) addresses customer deposits. These laws became effective on July 1, 2015. The Commission adopted amendments to Rules 25-7.085 (Customer Billing) and 25-7.083 (Customer Deposits), Florida Administrative Code (F.A.C.), respectively, to implement the laws enacted in July 2015.¹

¹ Order No. PSC-16-0024-FOF-PU, issued January 12, 2016, in Docket No. 150241-PU, *In re: Proposed amendments to Rules 25-6.093, Information to Customers; 25-6.097, Customer Deposits; 25-6.100, Customer*

Docket No. 170090-GU

Date: May 24, 2017

Peoples is requesting tariff modifications at this time to ensure that the Company's tariff language continues to conform to the applicable statutes and Commission rules. On May 15, 2017, Peoples filed an amended version of Tariff Sheet No. 5.301 to reflect scrivener's editorial changes. The Commission has jurisdiction in this matter pursuant to Sections 366.03, 366.05, and 366.06, F.S.

Billings; 25-7.079, Information to Customers; 25-7.083, Customer Deposits; and 25-7.085, Customer Billing, F.A.C.

Discussion of Issues

Issue 1: Should the Commission approve Peoples' proposed tariff modifications?

Recommendation: Yes, the Commission should approve Peoples' requested modifications to Tariff Sheet Nos. 5.301, 5.301-1, and 5.301-2, as reflected in Attachment A, effective June 5, 2017. (Rome, Draper)

Staff Analysis: Peoples' proposed tariff modifications are designed to conform Peoples' tariff to the applicable statutes and Commission rules. The Company's proposed tariff modifications address customer deposits. At this time, Peoples does not have tiered rate schedules; therefore, Peoples is not proposing any changes to its tariff as a result of changes to Section 366.05(1)(b), F.S., and Rule 25-7.085, F.A.C.

Customer Deposits

Section 366.05(1)(c), F.S., provides that for an existing account, the total deposit may not exceed two months of average actual charges. For a new service request, the total deposit may not exceed two months of projected charges. Once a new customer has had continuous service for a 12-month period, the amount of the deposit shall be recalculated using actual data. Any difference between the projected and actual amounts must be resolved by the customer paying the additional amount that may be billed by the utility or the utility returning any overcharge.

The Commission amended Rule 25-7.083(1), F.A.C., to state that the utility's methodology for determining customer deposits for existing and new accounts shall conform to Section 366.05(1)(c), F.S.² The prior rule language already required that the total amount of a deposit not exceed twice the average monthly bill.

Peoples' proposed revisions to Tariff Sheet No. 5.301 conform to the new statutory language regarding the recalculation of the deposit after 12-months. Peoples' proposed amendments to Tariff Sheet No. 5.301 comport with the statute by providing that: (a) if the recalculated deposit amount based on the previous 12-months billing history is less than the customer's current deposit amount, the difference between the deposit amounts will be refunded or applied as a credit to the customer account; and (b) if the recalculated deposit amount exceeds the customer's current deposit amount, the Company may request an additional deposit amount. Peoples also proposed some administrative revisions to Tariff Sheet Nos. 5.301-1 and 5.301-2 to conform to Rule 25-7.083, F.A.C.

Pursuant to Rule 25-7.083(7), F.A.C., utility customers receive refunds of their deposits with interest after a period of 23 months of continuous service, assuming their payment record is satisfactory. Therefore, for the majority of utility customers, the deposit amount recalculation after a 12-month period of continuous service occurs only once.

Conclusion

Based on a review of the applicable statutes, Commission rules, and proposed tariffs filed by Peoples, staff believes that the tariff sheet revisions conform to the applicable statutes and

² *Id.*

Commission rules. Therefore, staff recommends that the Commission approve Peoples' requested modifications to Tariff Sheet Nos. 5.301, 5.301-1, and 5.301-2, as reflected in Attachment A, effective June 5, 2017.

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. (Brownless)

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

~~Second-Third~~ Revised Sheet No. 5.301
Cancels ~~First-Second~~ Sheet No. 5.301

III

DEPOSITS

A. ESTABLISHMENT OF CREDIT

Each prospective Customer shall establish credit prior to the commencement of Gas Service by Company by one of the following methods:

1. Making a cash deposit with Company equal to two (2) times the estimated average monthly bill to be rendered by Company, in all cases such cash deposit being calculated in conformity with the requirements of Section 366.05(1)(c), Florida Statutes. Cash deposit amounts will be recalculated on an annual basis. If the recalculated deposit amount is less than the deposit then held by the Company, the difference between the amounts will be refunded or applied as a credit to the Customer's account. If the recalculated deposit amount exceeds the customer's current deposit amount, the Company may request an additional deposit amount to secure the Customer's account.
2. In the case of a residential Customer, at the customer's option, the Company will perform a credit verification through an external credit monitoring service to determine if the Customer meets the Company's creditworthiness criteria allowing the security deposit to be waived. This type of credit verification will have no impact on the customer's credit score.

A former residential Customer of the Company who (within six months of the time of discontinuing service, and who has, for the twelve (12) months immediately preceding his termination, established a satisfactory payment record as set forth in Section F below) requests service under the same rate schedule shall be deemed to have established credit.

3. In the case of a residential Customer, furnishing a guarantor, satisfactory to Company, to secure payment of bills for the Gas Service requested. A satisfactory guarantor shall, at the minimum, be a Customer of Company with a satisfactory payment record.
4. Furnishing an irrevocable letter of credit from a bank, or a surety bond, issued by a Company with an A.M. Best Rating Service rating of B/VI or higher for bonds up to \$50,000 in amount and a rating of A-/VII or higher for bonds over \$50,000 in amount.

The amount of such deposit, letter of credit or surety bond shall be equal to two (2) times the estimated average monthly bill for service hereunder.

5. a. By possessing and maintaining a Standard & Poor's (S & P) Long Term Debt Rating of A- or better; or by possessing and maintaining a Moody's rating of A3 or better. Comparable ratings may be considered from other nationally recognized rating organizations acceptable to the Company.
- b. (i) If the Customer's debt is not rated and the Customer's aggregate annual usage is 500,000 Therms or more, credit may be established by demonstrating adequate financial strength and stability. Upon request of a Customer whose annual usage is 500,000 Therms or more, the Company will evaluate the Customer's credit-worthiness by reviewing the Customer's audited financial statements for at least the two most recently completed fiscal years. These audited financial statements must be furnished by the Customer and must be accompanied by the opinion of independent certified public accountants or chartered accountants of recognized national or regional standing.

Issued By: ~~G. L. Gillette~~ T. J. Szelistowski, President
Issued On: ~~June 25, 2015~~

Effective: ~~January 4, 2017~~

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

~~Second~~First Revised Sheet No. 5.301-1
Cancels ~~First~~Original Sheet No. 5.301-1

III

DEPOSITS (Continued)

- (ii) In evaluating the Customer's credit-worthiness, the Company will consider the following financial factors: the Customer's tangible net worth, the interest coverage ratio, the ratio of long term debt to tangible net worth, and the Customer's net cash flow. In evaluating the Customer's credit-worthiness, the Company may also consider other known factors relating to the Customer's credit-worthiness.
 - (iii) Accounts for which credit is established pursuant to this section (5) (b) are subject to periodic review by the Company to assure that no material changes adversely affecting the Customer's credit-worthiness have occurred. Each Customer for whom credit is established pursuant to this section (5) (b) shall annually furnish audited financial statements, together with the opinion of independent certified public accountants or chartered accountants of recognized national or regional standing, to the Company within ninety (90) days following the conclusion of the Customer's fiscal year.
 - (iv) Credit may be established by either a cash deposit, a letter of credit or a surety bond in the event (A) the debt rating or audited financial statements are unacceptable to the Company, or become unacceptable, or (B) the Customer pays with a check dishonored by a bank, or (C) the Customer fails to comply with the Company's Rules and Regulations.
6. A parent Company may serve as a guarantor for a subsidiary Company to secure the payment of bills for Gas Service. A satisfactory guarantor shall meet the terms of established credit as stated in section (5) (a) or (5) (b) above.

B. RECEIPT FOR CASH DEPOSIT

~~Company will provide a non-transferable receipt will be issued to a~~ Customer for any cash deposit ~~received from the and means provided so that such~~ Customer may claim the deposit if the receipt is lost. When a new or additional cash deposit is required under Section C of this rule, a Customer's canceled check or validated bill coupon may serve as a deposit receipt.

C. NEW OR ADDITIONAL DEPOSITS

Company may ~~charge~~ require, upon ~~reasonable~~ written notice ~~to an existing Customer~~ of not less than 30 days, ~~such request or notice being separate and apart from any bill for Gas Service, a new cash deposit, (including a~~ guaranty, letter of credit or surety bond ~~where previously waived or returned), or an additional cash deposit (or increase in the amount of a guaranty, letter of credit or surety bond), in order to secure payment of current bills. Such request for a deposit shall be separate and apart from any bill for service and shall explain the reason for the deposit; provided, however, that the total amount of the required cash deposit or other security shall not exceed an amount calculated in conformity with the requirements of Section 366.05(1)(c), Florida Statutes equal to the average actual charges for Gas Service for two (2) billing periods for the twelve (12) month period immediately prior to the date of notice.~~

Issued By: T. J. Szelistowski ~~G. L. Gillette~~, President
Issued On: October 10, 2014

Effective: March 13, 2012

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

~~Third~~~~Second~~ Revised Sheet No. 5.301-2
Cancels ~~Second~~~~First~~ Revised Sheet No. 5.301-2

III

DEPOSITS (Continued)

The thirty (30) day notice shall not apply when service is being reestablished after discontinuance of service for non-payment. ~~If Customer has received Gas Service for less than twelve (12) months, then Company will base the amount of the new or additional cash deposit or other security upon the average actual monthly billing available.~~

D. RECORD OF DEPOSIT

With respect to a cash deposit, Company will keep records to show:

1. The name of the Customer making the deposit;
2. The premises ~~for which the deposit applies~~~~occupied by the Customer;~~
3. The date and amount of the deposit; and
4. Each transaction concerning the deposit, such as interest payments, interest credited, or similar transactions.

E. INTEREST ON CASH DEPOSIT

Company will pay interest on cash deposits at the rate of two percent (2%) per annum. Company will pay interest on a non-residential cash deposit at the rate of three percent (3%) per annum after the deposit has been held for twenty-three months.

Deposit interest shall be simple interest in all cases and settlement shall be made annually, either in cash or by credit on Customer's current bill. No Customer making a cash deposit shall be entitled to receive interest thereon until and unless the Customer relationship and such deposit have been in existence for a continuous period of six (6) months; then such Customer shall be entitled to receive interest from the date of commencement of the Customer relationship and the placement of the cash deposit.

F. REFUND OF RESIDENTIAL DEPOSIT

After a residential Customer has established a satisfactory payment record and has had continuous service for a period of twenty-three (23) months, Company will refund the Customer's cash deposit provided Customer has not:

1. in the preceding twelve (12) months:
 - a. made more than one (1) late payment of a bill (after the expiration of twenty (20) days from the date of mailing or delivery by Company);
 - b. paid with a check refused by a bank; or
 - c. been disconnected for nonpayment; or

Issued By: ~~T. J. Szelistowski~~~~G. L. Gillette~~, President
Issued On: ~~July 30, 2012~~

Effective: ~~July 26, 2012~~